

Executive 15 February 2023
Medium Term Financial Strategy and 2023/24 Revenue Budget
Appendix 5 - Reserves Strategy

1. Introduction and background

- 1.1. It is important that the Council has a strategic approach to the creation and use of reserves to ensure an appropriate level of reserves is maintained to protect against future budgetary and the levels of risks faced.
- 1.2. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Chief Finance Officer also has a responsibility to ensure there are clear protocols for the establishment of, and use of reserves.
- 1.3. Local authorities hold two categories of reserves, usable and unusable:
 - usable reserves are defined as those that the Council could utilise to fund capital or revenue expenditure. Some of these could be applied generally, others will have stipulations attached to their use;
 - unusable reserves hold unrealised gains or losses for assets not yet disposed of and also accounting adjustments which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.
- 1.4. This paper will focus on usable reserves. The Council holds a number of these, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks including Private Finance Initiative (PFI) costs, statutory reserves, school balances and grants which cross over financial years.
- 1.5. Reserves have an important role as, unlike bodies such as the NHS, all risks have to be managed within the local authority. Also, unlike central government, borrowing, other than for investment in assets, is not allowed and there is a statutory requirement to balance budgets on an annual basis. It is equally important that reserves are not held unnecessarily.
- 1.6. As per the Financial Regulations Reserves, reserves are held and managed corporately, even if they originated from a departmental grant receipt or underspend. Before spend is incurred which will be reimbursed from a reserve, the appropriate approvals must be obtained.
- 1.7. This paper will include:
 - The level of reserves
 - The strategy for the management of Council reserves and a high-level overview of the level of financial risks faced.
 - An explanation of why each reserve is held and the utilisation plans aligned to the Council's priorities over the medium to long term.

2. Level of Reserves

- 2.1. Table One below summarises the Council's reserves. At the end of 2022/23 the council's total useable reserves are forecast to total £458m. Of these, £120.8m are ringfenced to the HRA, Schools and Business Rates COVID-19 grants.
- 2.2. £150m is committed to support the £1.1bn capital programme, most of which is contractually committed to.
- 2.3. The remaining revenue reserves are £187m, against an annual revenue budget of £1.6bn, which would only fund 42 days of expenditure. Within this the only truly unallocated reserve for unknown risks or events, is the General Fund Reserve of £23.5m, which would fund 5 days of expenditure.

Table one: Usable Reserves Summary

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

3. High Level reserves strategy and risks

- 3.1. The Council has a well-established approach to delivering a sustainable Medium Term Financial Plan. This is fully integrated with the reserves strategy. The Medium Term Financial Strategy sets out the prudent approach to investment income and other fortuitous or one-off grants and income to avoid sudden budget cliff edges and peaks and troughs in spend. The careful use of reserves in managing risk and timing differences and provide the time

necessary to deliver on its planned savings remains key to this approach. It is proposed to continue with this strategy and use smoothing reserves to manage the uncertainty around the funding position.

- 3.2. The use of revenue reserves is not a sustainable strategy to fill the gap from government funding reductions or to avoid the requirement to make savings. A usable reserve is a finite, cash balance which can only be used once, whereas the reduction in funding is a permanent year-on-year loss to the Council's base budget.
- 3.3. Whilst the Council appears to be at the more resilient end of the reserve spectrum it is a complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that adequate reserves are held.
- 3.4. The Reserves Strategy is based on the below which has been developed from the Financial Management Code, Prudential and Treasury Management Codes and the Council's approach to risk management.
- 3.5. The reserves are categorised in the budget report and annual accounts as follows:
 - **Ring-fenced Reserves outside the General Fund:**
 - HRA Reserves – use of these reserves is governed by the HRA Business Plan.
 - Schools reserves – schools funding which the Council cannot utilise.
 - **Earmarked Reserves:**
 - Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute.
 - PFI Reserves – held to meet costs across the life of the PFI schemes
 - Reserves to manage Economic and Commercial Risks
 - Insurance Fund Reserve
 - Reserves held to support the delivery, financing, and risk of the capital strategy, including;
 - Capital Fund Reserve
 - Capital Financing Reserve
 - Other Reserves held to support capital schemes
 - Reserves to support delivery and risk of the Medium-Term Financial Plan, including;
 - Budget Smoothing Reserve
 - Reserves held to support reform
 - Reserves held for Accounting Purposes, including;
 - Grant reserves relating to COVID-19 residual costs (fully applied 2022/23)

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

4. Detail by Reserve

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

Ring-fenced Reserves outside the General Fund

HRA Reserves

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

Table two: HRA Reserves Summary

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

- 4.3. Based on the latest forecast position (December 2022) the HRA will have total reserves of c£100m at March 2023, of this c£63m are general reserves with the remainder being ringfenced to cover issues such as potential HRA Insurance liabilities and any residual liabilities on former stock transfer land.
- 4.4. The total HRA reserves are forecast to reduce by c£49m by 2025/26 to c£51m. These reductions reflect planned capital investment of c£103m over the next three years, of which c£91m is to be funded through the HRA, with the balance from external grants and capital receipts. Capital costs are increasing with the impact of inflation and the planned use does not take into account the zero carbon ambitions.
- 4.5. The other HRA reserves include:

- HRA PFI reserve – set up to cover additional costs arising on the PFI contracts. This is likely to be reduced during a 2023/24 review as all but one scheme are now in a "steady state" - with all major works completed.
 - Residual Liabilities fund - set up to cover against potential claims from leaseholders on stock previously transferred out of the HRA. The levels of these risks and required reserve provision are to be reviewed during 2023/24 as the risk of any claim diminishes.
 - Insurance reserve - mitigate the potential costs of any unforeseen events as low rise stock is self insured by the HRA.
- 4.6. The overall HRA debt currently stands at £121m, of which £60.7m in 2023/24 is external debt, the balance is covered by internal reserves, resulting in a significant saving on interest charges to the HRA.
- 4.7. Current projections show that the HRA reserves go into a negative position at around 2036/37 and are forecast to reach a deficit level of £17m at the end of the 30 years. Work is required to either reduce HRA costs or generate additional income in order to ensure that the HRA is sustainable throughout the life of the business plan.

School Reserves

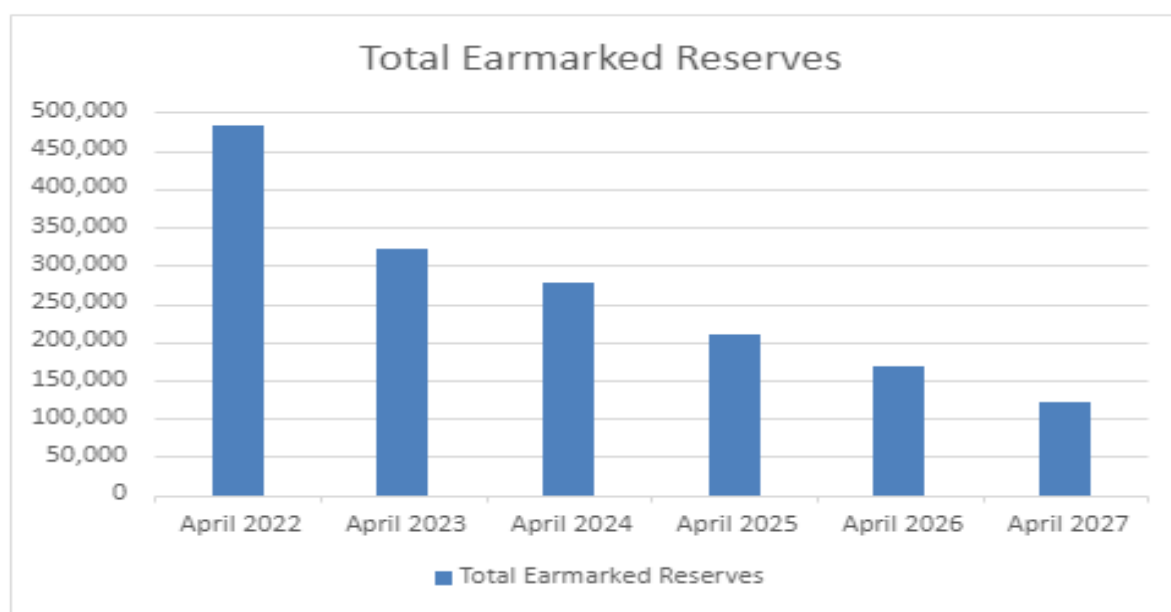
- 4.8. *Schools Reserve (£20.1m)* - Schools balances are held by individual schools under the delegated scheme, and it is their decisions which inform the use of this reserve. The Scheme for Financing Schools includes a balance control mechanism, where it allows schools up to five years to spend an excessive balance. A percentage (as agreed by school forum) of the excess balance held for a period of more than four years can be clawed back. In 2022/23, ten Manchester Schools (nine primary and one special) were subject to a 100% clawback of excessive balances held for five years with a total clawback of £193k . This was used to offset the DSG deficit 2021/22 (see below). The reserves cannot be accessed by the Council.
- 4.9. The DSG is a ring-fenced grant and the deficit balance on the High Needs Funding block cannot be met from general council reserves. The projected cumulative deficit is £1.7m by the end of 2022/23 .There is a statutory override in place and a deficit recovery plan to bring the position back into balance by 2023/24

Earmarked Reserves

- 4.10. Some key points around the earmarked reserves are as follows:
- Cover all risks – self-insure, statutory reserves, capital financing reserve, Town Hall project.
 - Utilised to avoid funding cliff edges – use one off income e.g. dividend to smooth spend over MTFP and give resilience for when other funding ends.
 - Almost £42m of smoothing reserve is being used over the next four years to close budget gap.

- The 2022/23 opening balance is distorted by additional Government Covid grants. These will be fully used by 2023/24.
- Including capital reserves, earmarked are forecast to fall to c£165m by March 2026 which is relatively low.

4.11. The graph below demonstrates the anticipated annual reduction. The detail is shown in Appendix 5a.



Reserves that will be utilised to support the delivery, financing and risk of the Capital Strategy

4.12. Reserves are held to support the delivery of the Capital Strategy and the ambitious £1bn multi year capital programme, including to support the financing of the capital programme, manage risk and provide required capacity for investment.

Table three: Capital Reserves Summary

	Forecast Closing Balance			
	Mar-23	Mar-24	Mar-25	Mar-26
	£000	£000	£000	£000
Capital Fund Reserve	81,875	72,480	47,880	23,038
Capital Financing Reserve	34,730	34,730	34,730	34,730
Investment Reserve	8,888	6,699	4,470	2,576

	Forecast Closing Balance			
	Mar-23	Mar-24	Mar-25	Mar-26
	£000	£000	£000	£000
Town Hall Reserve	8,502	5,378	1,951	1,951
Enterprise zone reserve	2,558	2,959	3,357	3,750
Manchester International Festival	9,173	7,923	6,923	6,123
Eastlands Reserve	7	755	1,823	823
Highways Commuted Sums	4,305	4,216	4,127	4,038
Total	150,037	135,139	105,260	77,028

Capital Fund Reserve

- 4.13. The Capital Fund is a revenue reserve and therefore provides flexibility if elements of the capital programme have to be funded by revenue (such as feasibility studies, or cloud-based ICT solutions) and flexibility to fund assets with a short economic life which, if funded by borrowing, would create a significant minimum revenue provision impact. It also provides some capacity for strategic acquisitions or investment to deliver an economic return.

Capital Financing Reserve

- 4.14. The Capital Financing reserve is to fund future borrowing costs. As part of the delivery of the £1bn capital programme and in particular the Town Hall project, this was established so that the increased borrowing costs could be managed without putting increased pressure on the revenue budget. The reserve has been established from dividend, business rates and RCCO funding from the capital financing budget. The Council has a strong balance sheet and has maximised the level of internal borrowing (using the cash associated with reserves and provisions in lieu of external debt). As these reduce internal borrowing has to be replaced with additional external borrowing. The reserve helps manage the increased borrowing requirements from the programme and these timing differences, alongside absorbing some of the recent increases in the PWLB interest rates.

- 4.15. The Capital Fund reserve and the capital financing reserve are managed together, to enable the Council to optimise the funding of the Capital programme.

Other Reserves held to support capital and investment schemes

- 4.16. Investment Reserve - This reserve is in place to provide capacity to deliver regeneration and housing priorities. The proposed use includes £400k per year to meet the major regeneration strategy, a further £700k over two years

to support This City, and funding for staffing posts in Strategic Housing, Major Regeneration, the Investment Estate, and City Centre Regeneration.

- 4.17. Town Hall Reserve - The reserve is to cover the revenue costs associated with the refurbishment of Our Town Hall, including the costs of alternative accommodation costs, and loss of income from events; partly offset by reduced spend on maintenance and utilities. The reserve was established from the proceeds of changing the timing of MRP payments on historic debt prior to the Our Town Hall project starting.
- 4.18. The Enterprise Zones - The Corridor Enterprise Zone (EZ) was established in 2016/17 and consists of two sub zones, the Manchester Science Park and Manchester University Hospital NHS Foundation Trust. Any business rates growth above a prescribed baseline is held in the reserve and is to be reinvested within the EZ. £0.542m is to be applied over the next 5 years to 2027/28 and will fund an EZ manager post and activities to promote and attract businesses to locate within the EZ, which will in turn increase the rates growth above baseline and funding available for reinvestment.
- 4.19. Manchester International Festival – the reserve was increased as part of the 2020/21 Budget Process to cover the future costs of the grant funding to Factory International, to support the commitment to provide ten years funding for the Factory. The reserve was funded from a one off Collection Fund surplus and has released a saving of £0.5m a year from the revenue budget.
- 4.20. Eastland Reserve (Waterfall) - this holds monies received in relation to the City of Manchester Stadium and is to be used to fund leisure investment across the City with agreement from Sport England.
- 4.21. Highways Reserve - This reserve was created so funds received as part of developer agreements could be utilised for highways schemes in future years.

Reserves held to support delivery and risk of the Medium-Term Financial Plan

- 4.22. The requirements of the Financial Management Code set out the need for a long term approach to financial planning. The next five years will bring considerable changes to Local Government Funding with a need to deliver £36.2m of budget cuts and savings in 2023-25 and to address significant funding risks from 2025/26. These risks are set out in the main MTFP. The reserves are set out in Table Four and explained below. They cover:
 - The establishment of a Budget Smoothing Reserve, which has been and will continue to be integral to managing peaks and flows in funding and avoiding large budget cuts in any one year.
 - Volatility of demand - Demand for social care services and homelessness, in particular are extremely volatile, with increasing acuity of need. The

impact of the cost of living crisis and backlogs of demand across the public sector as the country exits covid have compounded this position.

- Small reserves held to manage timing issues and risks with the delivery of the Council's reform agenda.

Table four: Reserves Supporting the MTFP Summary

	Forecast Closing Balance			
	Mar-23	Mar-24	Mar-25	Mar-26
	£000	£000	£000	£000
Budget Smoothing Reserve	48,731	46,431	36,908	17,758
Integration Reserve	0	0	0	0
Transformation Reserve	8,609	6,776	5,276	3,776
Supporting Families Reserve	2,439	1,639	439	0
Clean City	0	0	0	0
St. John's Growth Zone Reserve	1,156	0	0	0
Our Manchester Reserve	389	152	0	0
Adult Social Care	7,633	2,623	174	0
Children's Social Care Reserve	0	0	0	0
Homelessness Reserve	1,946	0	0	0
Total	70,903	57,621	42,797	21,534

- 4.23. Adult Social Care Reserve – this reserve is held to smooth the impact of volatile demand and risks on the Adult Social Care Budget over the MTFP and to support the planned phased delivery of the savings. Proposed uses include;
- Revenue contribution to capital works requirements arising from fire safety assessments for In House Supported Accommodation (£0.6m);
 - Transfer to Smoothing Reserve to support the Councils MTFP (£9.6m);
 - Support for proposed savings programme 2023-25 (£4.5m), and
 - Support for the Care Market (£3m)
- 4.24. Children's Social Care Reserve – reserved to be fully utilised in 2022/23 to fund a £1.409m saving target, and £0.656m released to smoothing reserve.
- 4.25. Homelessness Reserve – £1.5m of this reserve is held to smooth the impact of potential demand pressures around the cost of living crisis. The remaining £2.4m is one off grant funding from DLUHC received in 2021/22 which is ringfenced and would need to be repaid if not used in line with grant conditions.

Budget Smoothing Reserve

- 4.26. The Budget Smoothing reserve has been created through underspends in previous years and from transfers from other reserves following a full review of reserves. It is used to smooth the impact of budget shortfalls whilst savings are developed and implemented. The 2022/23 Medium Term Financial

Strategy included identification of £30m of Earmarked Reserves which could support the revenue budget but would need to be replenished. £10m of these balances have been transferred to the smoothing reserve to be applied in 2025/26 to reduce the potentially significant cliff edge in funding for that year.

- 4.27. The anticipated reserve balance at the end of 2022/23 is £48.7m. It is expected that this be fully applied by 2026/27 supporting the following budgets:
- £39.3m support to the revenue budget at £3.7m in 2024/25 then £17.8m a year for the following two years.
 - £3.5m contribution to GMCA relating to bus reform. Note this is funded from rebates previously received from GMCA.
 - £4.5m to cover specific budget pressures - £1m to support Children's legal costs and a £1m contribution to the £3.5m cost of living support for 2024/25.
 - £3.9m to fund the new care model costs for ASC at £1.3m per annum for 3 years on an invest to save basis.

Reserves held to support reform

- 4.28. The reserves will be held to support growth and reform and are set out below:
- Integration Reserve - The reserve is a joint resource between Manchester City Council and Manchester health locality used to support the Locality Plan and Health and Social Care Integration.
 - Transformation Reserve - The transformation reserve is held to fund both Future Shape programme of £1.5m per year 2023-26. Additionally, to support the costs of Transformation Team agreed at £1m over three years due to end 2023/24.
 - Supporting Families Reserve - It is proposed that the Thriving Families initiative, a whole family, strengths-based approach to child protection, is supported by the Supporting Families reserve. Funding of £0.8m in year one, £1.2m in year two and £0.4m in year three of the programme. Support would taper in year three as savings are generated from the work being undertaken. The reserve will be fully used by year three.
 - Our Manchester Reserve - This is for additional investment made available as part of the 2017/20 budget process to drive the delivery of Our Manchester; for example, through providing Voluntary Sector Grants. This reserve is forecast to be fully utilised by 2024/25.

Managing Economic and Commercial Risks

- 4.29. The country is currently facing a recession and high inflation caused by a number of macro-economic factors. The potential effects of a recession could impact on revenue budgets, capital projects, treasury management and the pension scheme. With the increased reliance on locally raised resources and commercial income the Council is more susceptible to any downturn in the

economy, specifically Business Rates, the Airport Dividend, the investment estate and planning income.

- 4.30. As per the MTFP, the use of reserves is applied to help mitigate these risks. For example, when airport dividend was received, the majority of airport dividend income has always been used in arrears. This gave a lead in time to managing the loss of this revenue and helped the Council avoid a S114 position during covid. Smoothing reserves are also in place to support volatile income such as planning fees.
- 4.31. As part of the work of the Commercial Board, the risk of the commercial activities are assessed and will inform the need for any future reserve provisions. The reserves held to manage economic and commercial risk are shown in the table below and explained in the following paragraphs.

Table five: Economic and Commercial Reserves Summary

	Forecast Closing Balance			
	Mar-23	Mar-24	Mar-25	Mar-26
	£000	£000	£000	£000
Business Rates Reserve	13,816	22,325	21,835	11,231
Airport Dividend Reserve	14,189	13,116	0	0
Planning Reserve	3,148	2,668	2,184	2,184
Investment Estate Smoothing Reserve	466	466	466	466
Land Charges Fees Reserve	244	194	144	144
Total	31,862	38,768	24,628	14,024

- 4.32. Business Rates reserve – This reserve helps manage annual fluctuations in business rates reliefs awarded and the section 31 grants which compensate, as the two fall in different financial years. It is held to cover the risk that there will be a full business rates reset in the next parliament which would result in the loss of the benefit of growth built up since 2013/14, that the 100% business rates retention pilot will end after 2023/24 and to help mitigate the impact of the economic down turn on business rates income.
- 4.33. Airport Dividend Reserve – The dividend income is used in arrears to manage volatility in potential dividend receipts. It is unlikely that the dividend will return during the MTFP period and £24.9m of the remaining reserve of £39m, is supporting the 2022/23 revenue budget as planned, leaving a balance of £14.2m which has been applied across 2023/25.
- 4.34. Planning reserve – This is held to smooth the potential volatility of planning income relating across years. The Planning Fee reserve has grown since

2022/23, with the increase in planning fees which have to be used for a related purpose. This will be used to provide the capacity required (both in terms of staffing and specific studies required) to develop the Local Plan.

- 4.35. Investment Estate smoothing reserve - This reserve was created to manage risks due to the volatility in investment income, particularly with an economic downturn.

Insurance Fund

- 4.36. The Council has taken a decision to self-insure against specific risks such as property insurance (for properties where the reinstatement value is less than £300k), and contributes towards the policy excesses on Liability, Crime, Medical Malpractice, Motor, Property policies, where the service meets a proportion of the excess, and the balance is met from the insurance fund. The level of reserve required is assessed by an actuary every five years. The fund stands at £20.1m

Statutory reserves

- 4.37. The Council maintains reserves where the use of these monies is defined in statute such as the Bus Lane and Parking Reserves. The statutory reserves are set out below:

Table six: Statutory Reserves Summary

Statutory reserves	Forecast Closing Balance			
	Mar-23	Mar-24	Mar-25	Mar-26
	£000	£000	£000	£000
Bus Lane Enforcement Reserve	6,458	4,666	2,874	1,082
On Street Parking	6,364	4,360	2,378	2,342
Ancoats Square Reserve	2,467	2,236	2,005	1,892
Taxi Licensing Reserve	1,012	1,012	1,012	1,012
Spinningfields Commuted Sum	629	620	611	611
St Johns Gardens Contingency	955	905	855	855
New Smithfield Market	441	441	441	441
Great Northern Square Maintenance Fund	269	269	269	269
Art Fund Reserve	31	31	31	31
Manchester Move Reserve	210	210	210	210
Manchester Safeguarding	191	191	191	191
Hulme High Street	283	283	283	283
West Gorton Park Reserve	170	170	170	170
Total	19,480	15,394	11,330	9,389

- 4.38. Bus Lane Enforcement Reserve – This is a ring-fenced reserve which can only be applied to specific transport and highways related activity. Use of this income is set out in legislation, the details are:
- Any deficit associated with bus lane enforcement in the four years proceeding.
 - Costs incurred by the authority for the operation of public passenger transport service
 - A highway improvement project
- 4.39. On Street Parking Reserve – This is also a ring-fenced reserve which can only be applied to specific transport and highways related activity. Enforcement legislation restricts what the income from decriminalisation of parking income can be used for specific, and the details are:
- Costs incurred by the authority for the operation of public passenger transport service
 - A highway or road improvement project
 - Environmental improvement
- 4.40. There is an updated 5-year strategy for both the Bus Lane Enforcement and On Street Parking reserves. The planned use to support the revenue budget and capital commitments will considerably reduce the balance on these reserves. The commitments include:
- Ongoing contribution to environmental improvements within Neighborhood Services of £3.5m a year
 - Ongoing contribution to Metroshuttle at £0.9m a year
 - Support for the car park income shortfall at £2.1m per annum (in advance of rebasing the Parking Strategy), to be reviewed each year.
 - Funding for school crossing patrols (£386k a year) and/or associated capital investment to reduce their need.
 - Contribute towards the costs of the Transport Levy which includes:
 - Continuation of £4.1m a year agreed in previous years
 - Increased contribution of £2.3m from excess surpluses. This is included in the proposed savings.
 - £1m from 2024/25 increasing to £2m 2025/26 funded through forecast income from moving Traffic offences. This is also included in the proposed savings.
- 4.41. Ancoats Square Reserve – This is a commuted sum that has been received from the Homes and Communities Agency to fund maintenance in future years. The maintenance is for a period of at least 25 years.
- 4.42. Taxi Licensing Reserve - This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. The income is ring-fenced by statute.
- 4.43. St. Johns Gardens Contingency– is a funded by contribution from St Johns Gardens Tenants for Maintenance works.

Reserves Held for PFI's

4.44. There are two general fund PFI reserves, set up to cover additional costs arising on the PFI contracts over the lifetime of the contracts. The balances held for PFI's reserves are set out below:

Table seven: PFI Reserves Summary

Reserves held for PFI's	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Temple PFI	392	371	283	0
Wright Robinson PFI Reserve	1,437	1,473	1,368	1,105
Total	1,829	1,844	1,651	1,105

4.45. There are 2 Schools PFI reserves, Wright Robinson PFI and Temple PFI which were established to support the costs of these PFIs over the 25 years of the contracts when expenditure exceeds grant income. There is a further PFI reserve of £255k relating to street lighting which is due to be fully utilised in 2022/23.

Reserves held for accounting purposes

4.46. All grants and contributions used over more than one financial year must be held on the balance sheet until required. The reserves position of local authorities has been significantly distorted by the use of the business rates S31 grants. The Grants and contributions to be used over 1 year are set out below:

Table eight: Reserves held for Accounting Purposes Summary

Reserves held for accounting purposes	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Business Rates - COVID-19	7,166	0	0	0
MAES Reserve	1,359	910	910	910
Children's Services Reserve	3,402	605	0	0
Collection Initiatives Reserve	3,489	2,712	1,712	1,712
English Partnership (Homes and Communities Agency)	569	479	479	479

Reserves held for accounting purposes	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Other Grants and Contributions - Neighbourhood Services	619	619	619	619
Other Grants and Contributions- Growth and Development	199	199	199	199
Fraud Fund	136	68	0	0
Deprivation of Liberty Grant	149	0	0	0
Asylum Seekers	359	267	267	0
Flood management reserve	37	0	0	0
Dept for Transport Grants Reserve	33	33	33	33
Afghan Families	1,000	0	0	0
Ukrainian Families	1,000	0	0	0
Local Authority Housing fund	980	0	0	0
Total	20,497	5,892	4,219	3,952

4.47. The Covid Grants reserves include:

- Business Rates COVID 19 - grants relate to Extended Retail Relief (ERR) and COVID Additional Relief Fund (CARF) which offered support to businesses through the pandemic will be fully applied to offset collection fund losses in 2022/23. The Tax Income Grant, which reimbursed authorities for 75% of irrecoverable losses relating to 2020/21, will be fully applied by 2023/24.
- Contain Outbreak Management Fund (COVID-19) – these balances have been fully applied in 2022/23.

Grants and Contributions used over more than one year

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

4.49. Children's Services Reserve – grants and contributions to fund key initiatives in Children's Social Care over the MTFP including;

- 'Our Year' - legacy commitments plan that span over the next two years, the proposal is to fund £250k per annum from the designated children's reserve.
- Social Work Bursaries - to further develop Manchester's financial commitment to the recruitment and retention of social workers, it proposed that a £30k per annum bursary is created to support and

encourage staff who have experience of working with children and their families seek a social work qualification via a Social Work Apprenticeship Scheme delivered by the Greater Manchester Social Work Academy. Drawn down on investment will phased over 2 years, £0.6m next year and a further £0.6m the year after.

- 4.50. Collections Initiative Reserve. Previous years underspends and one off grant funding, for example, new burdens funding for the various schemes administered by Revenues and Benefits, is held in this reserve – this will be utilised for to fund ongoing Resident and Welfare Support programmes.

Other Specific Reserves

- 4.51. There are a number of other reserves held for a specific earmarked purposes supporting council objectives and to invest in delivery capacity. For a number of these there are legal requirements to spend the money in a certain way. These other specific reserves are set out below:

Table nine: Other Specific Reserves Summary

Other Specific Reserves	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Making Manchester Fairer reserve	4,410	1,980	1,080	1,080
Fleet Maintenance Reserve	67	0	0	0
Cleopatra Reserve	250	120	0	0
Newton Heath Market Reserve	22	22	22	22
Landlord Licensing Reserve	100	200	300	300
Selective Licensing reserve	4	121	669	669
Pension Risk Fund	518	518	518	518
Nuclear Free Zone	43	38	33	33
Carbon Reduction Reserve	684	284	79	79
End User Device Reserve	1,030	1,545	60	575
Councils with ALMOs Group (CWAG) Reserve	82	0	0	0
Graves and Memorials	97	97	97	97
Trading Standards Reserve	93	57	21	21
Housing Compliance Reserve (Fixed Penalty Notices)	505	423	341	341
Community Safety Reserve	445	345	245	145
Litter Reserve (Fixed Penalty Notices)	132	132	132	132
Great Ancoats Management Improvement Reserve	192	172	152	152
Social Value Fund	52	2	2	42

Other Specific Reserves	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
Total	8,726	6,056	3,751	4,205

General Fund

4.52. The only unallocated reserve is the General Fund Reserve, expected to be £23.4m at the end of 2022/23. This is held to meet costs arising from unplanned events, it also acts as a buffer to help mitigate against the financial risks the Council faces and may be used to smooth general expenditure across years as required.

Appendix 5a – Reserve Forecast 2023-26

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
Schools Reserve	14,000	0	0	14,000	14,000	14,000	
General Fund Reserves							
Statutory Reserves	19,480	(13,436)	9,350	15,394	11,330	9,389	
Earmarked Reserves	301,188	(65,232)	26,198	262,154	198,640	138,183	
General Fund Reserve	23,527	0	0	23,527	23,527	23,527	
Total General Fund	344,195	(78,668)	35,548	301,075	233,497	171,099	
Housing Revenue Account Reserves:							
Housing Revenue Account General Reserve	58,950	(21,654)	0	37,296	11,542	10,037	
Major Repairs Reserve	4,173	0	0	4,173	4,173	4,173	
HRA PFI reserve	10,000	0	0	10,000	10,000	10,000	
HRA Residual liabilities fund	24,000	0	0	24,000	24,000	24,000	
Housing Insurance reserve	2,500	0	0	2,500	2,500	2,500	
Total HRA	99,624	(21,654)	0	77,970	52,216	50,711	
TOTAL RESERVES	457,820	(100,322)	35,548	393,045	299,714	235,811	
SCHOOLS RESERVE							
LMS Reserve	14,000	0	0	14,000	14,000	14,000	School balances assumed year-end position. These are not Council resources and so cannot be used by MCC.
Sub Total Schools	14,000	0	0	14,000	14,000	14,000	
STATUTORY RESERVES							

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
Bus Lane Enforcement Reserve	6,458	(4,992)	3,200	4,666	2,874	1,082	Ring-fenced reserve which can only be applied to specific transport, environmental and highways related activity.
On Street Parking	6,364	(8,154)	6,150	4,360	2,378	2,342	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	2,467	(231)	0	2,236	2,005	1,892	Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Taxi Licensing Reserve	1,012	0	0	1,012	1,012	1,012	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Spinningfields Commuted Sum	629	(9)	0	620	611	611	Funds received as part of an agreement to cover maintenance costs.
St Johns Gardens Contingency	955	(50)	0	905	855	855	Contribution from St Johns Gardens tenants for maintenance works
New Smithfield Market	441	0	0	441	441	441	To contribute towards funding the development plans for the market
Great Northern Square Maintenance Fund	269	0	0	269	269	269	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Art Fund Reserve	31	0	0	31	31	31	For art purchases
Manchester Move Reserve	210	0	0	210	210	210	To managed waiting list for Registered Providers
Manchester Safeguarding	191	0	0	191	191	191	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG
Hulme High Street	283	0	0	283	283	283	Historic service charge levied by Hulme High Street Ltd
West Gorton Park Reserve	170	0	0	170	170	170	For spend on play equipment over the next 10 - 15 years
TOTAL	19,480	(13,436)	9,350	15,394	11,330	9,389	

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
EARMARKED RESERVES							
BALANCES HELD FOR PFI'S							
Street Lighting PFI	0	0	0	0	0	0	Established to fund the requirements over 25 years re: the PFI contract for Street Lighting service via external contractors
Temple PFI	392	(29)	8	371	283	0	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	1,437	(4)	40	1,473	1,368	1,105	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
TOTAL	1,829	(33)	48	1,844	1,651	1,105	
MANAGING ECONOMIC AND COMMERCIAL RISKS							
Business Rates Reserve	13,816	(490)	8,999	22,325	21,835	11,231	To mitigate Business Rates income risk due to the volatility of assumptions
Airport Dividend reserve	14,189	(1,073)	0	13,116	0	0	The income in the reserve is from the Manchester airport dividend which is then used in arrears to support the Medium Term Financial Plan
Planning Reserve	3,148	(480)	0	2,668	2,184	2,184	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income reduces
Investment Estate smoothing reserve	466	0	0	466	466	466	To manage budget pressures due to the volatility in investment income.
Land Charges Fees Reserve	244	(50)	0	194	144	144	To smooth the budget impact, planned to utilise in 2020/21
TOTAL	31,862	(2,093)	8,999	38,768	24,628	14,024	
INSURANCE FUND							
Insurance Fund	17,335	(500)	0	16,835	16,335	16,335	The insurance fund has been established to fund risks that are self insured.
RESERVES THAT WILL BE UTILISED TO SUPPORT THE DELIVERY, FINANCING AND RISK OF THE CAPITAL STRATEGY							

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
Capital Fund Reserve	81,875	(20,112)	10,717	72,480	47,880	23,038	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city. Acts as a buffer for the capital financing reserve if required
Capital Financing Reserve	34,730	0	0	34,730	34,730	34,730	Capital Financing Reserve: Held to fund expected future increases in borrowing costs linked to the Council's capital investment programme and significant level of internal borrowing. The reserve will be used to mitigate the impact on the revenue budget of increased borrowing levels in the future.
Investment Reserve	8,888	(2,189)	0	6,699	4,470	2,576	To deliver priority regeneration projects.
Town Hall Reserve	8,502	(3,124)	0	5,378	1,951	1,951	To fund commitments for the Town Hall Complex Programme
Enterprise zone reserve	2,558	(99)	500	2,959	3,357	3,750	To underwrite the borrowing costs for development in the Oxford Road Corridor
Manchester International Festival	9,173	(1,250)	0	7,923	6,923	6,123	To fund agreed future Manchester International Festivals / Factory grant from the reserve. Grant agreement will be aligned to the Arts Council England funding cycle.
Eastlands Reserve	7	(4,389)	5,137	755	1,823	823	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Highways Commuted Sum	4,305	(89)	0	4,216	4,127	4,038	Contributions towards future maintenance
TOTAL	150,037	(31,252)	16,354	135,139	105,260	77,028	
RESERVES HELD TO SUPPORT DELIVERY AND RISK IN THE MTFP							
Budget smoothing reserve	48,731	(2,300)	0	46,431	36,908	17,758	Planned use to smooth the impact of budget shortfalls whilst savings are developed and implemented.

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
Integration Reserve	0	0	0	0	0	0	The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan.
Transformation Reserve	8,609	(1,833)	0	6,776	5,276	3,776	Includes £1.5m a year for three years to fund the revenue costs of the ERP project. A balance is held to support future change programmes and the budget impact of any VER/VS costs.
Supporting Families Reserve	2,439	(800)	0	1,639	439	0	To support the Thriving Families initiative, a whole family, strengths-based approach to child protection.
Clean City	0	0	0	0	0	0	To support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities.
St. John's Growth Zone	1,156	(1,156)	0	0	0	0	Growth in business rates income in the St Johns footprint, used to support budget
Our Manchester reserve	389	(237)	0	152	0	0	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
Adult Social Care	7,633	(5,010)	0	2,623	174	0	To support Adult and Social Care Improvement Plan
Children's Social Care Reserve	0	0	0	0	0	0	To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets
Homelessness Reserve	1,946	(1,946)	0	0	0	0	To offset potential increases in need / demand
TOTAL	70,903	(13,282)	0	57,621	42,797	21,534	
RESERVES HELD FOR ACCOUNTING PURPOSES							
Business Rates - COVID-19	7,166	(7,166)	0	0	0	0	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
Contain Outbreak Management Fund (COVID-19)	0	0	0	0	0	0	The government made payments to Local Authorities from the Contain Outbreak Management Fund to support proactive containment and intervention measures
MAES Reserve	1,359	(449)	0	910	910	910	To fund Manchester Adult Education Services (MAES)
Children's Services Reserve	3,402	(2,797)	0	605	0	0	Various Children's grants being used over more than 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						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£000	£000	£000	£000	£000	£000	
Local Authority Housing fund	980	(980)	0	0	0	0	Unspent grants funding to provide housing and accommodation to Afghan and Ukrainian families currently supported with temporary accommodation arrangement. This will be applied in 2023/24
TOTAL	20,497	(14,605)	0	5,892	4,219	3,952	
OTHER SPECIFIC RESERVES	0			0			
Making Manchester Fairer	4,410	(2,430)	0	1,980	1,080	1,080	Funding for Making Manchester Fairer including kickstarter schemes
Fleet Maintenance Reserve	67	(92)	25	0	0	0	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Cleopatra Reserve	250	(130)	0	120	0	0	Balance to support legal costs relating to the CSE review programme
Newton Heath Market Reserve	22	0	0	22	22	22	To fund the future market provision
Landlord Licensing Reserve	100	0	100	200	300	300	This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards.
Selective Licensing reserve	4	0	117	121	669	669	Costs for administering the reputable landlord initiative and ensure compliance
Pension Risk Fund	518	0	0	518	518	518	To fund external pension liabilities
Nuclear Free Zone	43	(5)	0	38	33	33	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve
Carbon Reduction Reserve	684	(400)	0	284	79	79	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 atb the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan
End User Device Reserve	1,030	0	515	1,545	60	575	To support ongoing ICT replacement programme.

	Forecast Closing Balance						Purpose
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	
	£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	