

Executive 14 February 2024
Medium Term Financial Strategy and 2024/25 Revenue Budget
Appendix 5 - Reserves Strategy

1. Introduction and background

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

2. Level of Reserves

- 2.1. Table One below summarises the Council's reserves. At the end of 2023/24 the council's total useable reserves are forecast to total £429m. Of these, £111.4m are ringfenced to the HRA and Schools
- 2.2. £130m is committed to support the £1.1bn capital programme, most of which is contractually committed to.
- 2.3. The remaining revenue reserves are £189m, against an annual revenue budget of £1.6bn, which would only fund 40 days of expenditure. Within this the only truly unallocated reserve for unknown risks or events, is the General Fund Reserve of £19.6m, which would fund 4 days of expenditure.

Table one: Usable Reserves Summary

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

3. High Level reserves strategy and risks

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

proposed to continue with this strategy and use smoothing reserves to manage the uncertainty around the funding position.

- 3.2. The use of revenue reserves is not a sustainable strategy to fill the gap from government funding reductions or to avoid the requirement to make savings. A usable reserve is a finite, cash balance which can only be used once, whereas the reduction in funding is a permanent year-on-year loss to the Council's base budget.
- 3.3. Whilst the Council appears to be at the more resilient end of the reserve spectrum it is a complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. In addition, the current level of reserves includes the budget smoothing reserve and will reduce significantly over the next 2-3 years. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that adequate reserves are held.
- 3.4. The Reserves Strategy is based on the below which has been developed from the Financial Management Code, Prudential and Treasury Management Codes and the Council's approach to risk management.
- 3.5. The reserves are categorised in the budget report and annual accounts as follows:
 - **Ring-fenced Reserves outside the General Fund:**
 - HRA Reserves – use of these reserves is governed by the HRA Business Plan.
 - Schools reserves – schools funding which the Council cannot utilise.
 - **Earmarked Reserves:**
 - Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute.
 - PFI Reserves – held to meet costs across the life of the PFI schemes
 - Reserves to manage Economic and Commercial Risks
 - Insurance Fund Reserve
 - Reserves held to support the delivery, financing, and risk of the capital strategy, including;
 - Capital Fund Reserve
 - Capital Financing Reserve
 - Other Reserves held to support capital schemes
 - Reserves to support delivery and risk of the Medium-Term Financial Plan, including;
 - Budget Smoothing Reserve
 - Reserves held to support reform
 - Reserves held for Accounting Purposes, including;
 - Grant reserves relating to COVID-19 residual costs (fully applied 2022/23)

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

4. Detail by Reserve

- 4.1. The following paragraphs explain why each significant reserve, (Over £1m opening balance at 1 April 2024), is held and the utilisation plans, aligned to the Council's priorities over the medium to long term.

Ring-fenced Reserves outside the General Fund

HRA Reserves

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

Table two: HRA Reserves Summary

| Housing Revenue Account Reserves | Forecast Closing Balance | | | |
|---|--------------------------|---------------|---------------|---------------|
| | Mar-24 | Mar-25 | Mar-26 | Mar-27 |
| | £000 | £000 | £000 | £000 |
| Housing Revenue Account General Reserve | 56,114 | 30,439 | 5,145 | 0 |
| HRA PFI reserve | 10,012 | 10,012 | 10,012 | 10,012 |
| HRA Residual liabilities fund | 24,000 | 24,000 | 24,000 | 16,641 |
| Housing Insurance reserve | 2,500 | 2,500 | 2,500 | 2,500 |
| Total HRA | 92,626 | 66,951 | 41,657 | 29,153 |

- 4.3. Based on the latest forecast position (December 2023) the HRA will have total reserves of c£93m at March 2024, of this c£56m are general reserves with the remainder being ringfenced to cover issues such as potential HRA Insurance liabilities and any residual liabilities on former stock transfer land.
- 4.4. The total HRA reserves are forecast to reduce by c£64m by 2026/27 to c£29m. These reductions reflect planned capital investment of c£122.8m over the next three years, of which c£71m is to be funded through the HRA, with the balance from external grants and capital receipts. Capital costs have increased with the impact of inflation and the planned use does not take into account the zero carbon ambitions.
- 4.5. The other HRA reserves include:

- HRA PFI reserve – set up to cover additional costs arising on the PFI contracts. No commitments during 2023/24, all but one scheme are now in a "steady state" - with all major works completed.
- Residual Liabilities fund - set up to cover against potential claims from leaseholders on stock previously transferred out of the HRA. The levels of these risks and required reserve provision are to be reviewed during 2024/25 as the risk of any claim diminishes.
- Insurance reserve - mitigate the potential costs of any unforeseen events as low rise stock is self insured by the HRA.

- 4.6. The overall HRA debt currently stands at £121m, of which £60.7m in 2024/25 is external debt, the balance is covered by internal reserves, resulting in a significant saving on interest charges to the HRA.
- 4.7. Current projections show that the HRA reserves go into a negative position at around 2036/37 and are forecast to reach a deficit level of £62m at the end of the 30 years. Work is required to either reduce HRA costs or generate additional income in order to ensure that the HRA is sustainable throughout the life of the business plan. Noting the sensitivity in projections to small changes in inflation and other assumptions

School Reserves

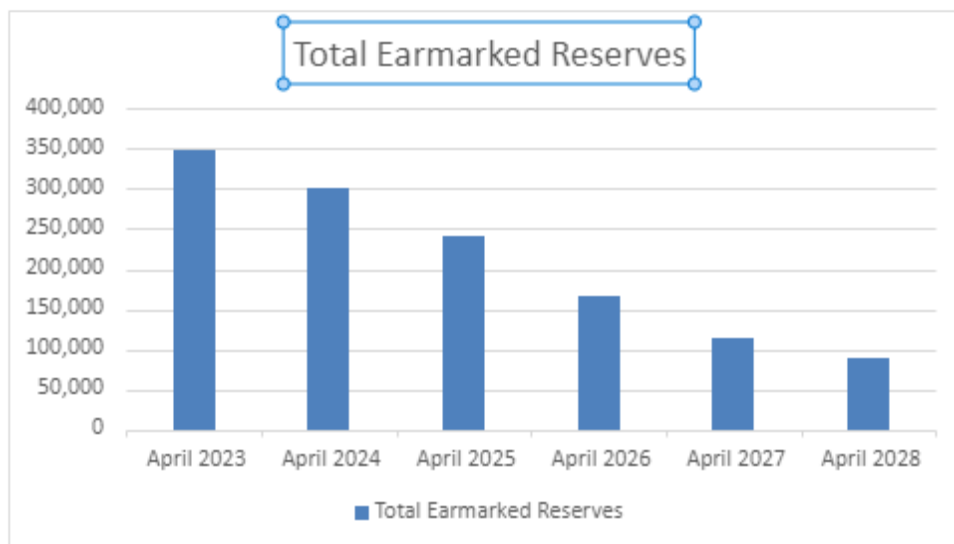
- 4.8. *Schools Reserve £16.5m* - Schools balances are held by individual schools under the delegated scheme, and it is their decisions which inform the use of this reserve. The Scheme for Financing Schools includes a balance control mechanism, where it allows schools up to five years to spend an excessive balance. A percentage (as agreed by school forum) of the excess balance held for a period of more than four years can be clawed back. In 2023/24, five Manchester Schools (four primary and one special) were subject to a 100% clawback of excessive balances held for five years with a total clawback of £59k. The reserves cannot be accessed by the Council.
- 4.9. The DSG is a ring-fenced grant and the deficit balance on the High Needs Funding block cannot be met from general council reserves. The projected cumulative deficit is £4.4m by the end of 2023/24, including £1.417m deficit brought forward from 2022/23. Recovery plan initiatives are in place to bring the position back into balance.

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

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

4.11. The graph below demonstrates the anticipated annual reduction.



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

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

Table three: Capital Reserves Summary

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

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

Capital Fund Reserve

- 4.13. The Capital Fund is a revenue reserve and therefore provides flexibility if elements of the capital programme have to be funded by revenue (such as feasibility studies) and flexibility to fund assets with a short economic life which, if funded by borrowing, would create a significant minimum revenue provision impact. It also provides some capacity for strategic acquisitions or investment to deliver an economic return.
- 4.14. The proposed drawdowns include an annual £2m to support the events commission, this will be funded through the growth in retained business rates. The proposed City Council resources will be supplemented by other city partnership funding that will be part of the whole events commission budget and managed by the City Council.

Capital Financing Reserve

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

Other Reserves held to support capital and investment schemes

- 4.17. Investment Reserve - This reserve is in place to provide capacity to deliver regeneration and housing priorities. The proposed use includes £400k per year to meet the major regeneration strategy, a further £700k over two years to support This City, and funding for staffing posts in Strategic Housing, Major Regeneration, the Investment Estate, and City Centre Regeneration.

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

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

- 4.23. The requirements of the Financial Management Code set out the need for a long term approach to financial planning. The next five years will bring considerable changes to Local Government Funding with a need to deliver £32m of budget cuts and savings in the next two years and to address significant funding risks from 2025/26. These risks are set out in the main MTFP. The reserves are set out in Table Four and explained below. They cover:
- The establishment of a Budget Smoothing Reserve, which has been and will continue to be integral to managing peaks and flows in funding and avoiding large budget cuts in any one year.
 - Volatility of demand - Demand for social care services and homelessness, in particular are extremely volatile, with increasing acuity of need. The impact of the cost of living crisis and backlogs of demand across the public sector as the country exits covid have compounded this position.
 - Small reserves held to manage timing issues and risks with the delivery of the Council's reform agenda.

Table four: Reserves Supporting the MTFP Summary

| | Forecast Closing Balance | | | |
|-----------------------------|--------------------------|---------------|---------------|---------------|
| | Mar-24 | Mar-25 | Mar-26 | Mar-27 |
| | £000 | £000 | £000 | £000 |
| Budget Smoothing Reserve | 46,433 | 45,859 | 23,228 | 5,468 |
| Integration Reserve | 2,080 | 2,080 | 2,080 | 2,080 |
| Transformation Reserve | 6,068 | 4,235 | 2,735 | 2,735 |
| Supporting Families Reserve | 2,219 | 1,079 | 0 | 0 |
| Clean City Reserve | 174 | 139 | 104 | 69 |
| Our Manchester Reserve | 225 | (0) | (0) | (0) |
| Adult Social Care | 2,657 | 208 | 34 | 34 |
| Homelessness Reserve | 1,800 | 1,499 | 1,499 | 1,499 |
| ICT Investment Reserve | 24,368 | 7,502 | 664 | 0 |
| Total | 86,024 | 62,601 | 30,344 | 11,885 |

Budget Smoothing Reserve

- 4.24. The Budget Smoothing reserve has been created through underspends in previous years and from transfers from other reserves following a full review of reserves. It is used to smooth the impact of budget shortfalls whilst savings are developed and implemented.
- 4.25. The anticipated reserve balance at the end of 2023/24 is £46.4m. The reserve is supporting the following budgets:
- £39.3m support to the revenue budget at £3.7m in 2024/25 then £17.8m a year for the following two years.
 - £3.5m contribution to GMCA relating to bus reform. Note this is funded from rebates previously received from GMCA.
 - £2m to cover specific budget pressures - £1m to support Children's legal costs and a £1m contribution to the £3.5m cost of living support for 2024/25.
 - £3.9m to fund the new care model costs for ASC at £1.3m per annum for 3 years on an invest to save basis.
 - £5.468m relating to one off rebates from GMCA will be transferred to the budget smoothing reserve in line with the budget strategy of using one off funds to support the medium-term budget and smooth budget shortfalls. This also gives some capacity to support any further preventative initiatives as developed and approved.

- 4.26. **Integration Reserve** - The reserve is a joint resource between Manchester City Council and Manchester health locality used to support the Locality Plan and Health and Social Care Integration.
- 4.27. The **transformation reserve** is held to fund both Future Shape programme of £1.5m per year 2023-26. Additionally, to support the costs of Transformation Team agreed at £1m over three years due to end 2023/24.
- 4.28. **Supporting Families Reserve** - It is proposed that the Thriving Families initiative, a whole family, strengths-based approach to child protection, is supported by the Supporting Families reserve. Funding of £0.8m in year one, £1.2m in year two and £0.4m in year three of the programme. Due to delays in the programme funding will be reprofiled into 2024/25 and be fully utilised during the year.
- 4.29. **Adult Social Care Reserve** – this reserve is held to smooth the impact of volatile demand and risks on the Adult Social Care Budget over the MTFP and to support the planned phased delivery of the savings.
- 4.30. **Homelessness Reserve** – £1.5m is held to smooth the impact of potential demand pressures around the cost of living crisis.
- 4.31. **ICT Investment Reserve** – This is a new reserve which has been established by re-earmarking some of the capital fund reserve that was set aside to fund ICT capital investment. This new revenue reserve recognises the industry change to cloud first, and software as a service (SaaS), with ICT & Digital projects fundamentally moving away from capital investments where a physical asset is created and hosted on site, to becoming a cloud-based subscription and licensed solution which are externally hosted.
- 4.32. The £24.4m opening budget is forecast to be applied to support the ICT investment at £16.9m next year, £6.8m in 2025/26 and £0.7m in 2026/27. Two of the most significant projects to be delivered are the Resident and Business Digital Experience, which includes the replacement of the Customer Relationship Management (CRM) system, and the New Finance and HRODT system.

Managing Economic and Commercial Risks

- 4.33. The country is currently facing a recession and high inflation caused by a number of macro-economic factors. The potential effects of a recession could impact on revenue budgets, capital projects, treasury management and the pension scheme. With the increased reliance on locally raised resources and commercial income the Council is more susceptible to any downturn in the economy, specifically Business Rates, the Airport Dividend, the investment estate and planning income.
- 4.34. As per the MTFP, the use of reserves is applied to help mitigate these risks. For example, when airport dividend was received, the majority of airport dividend income has always been used in arrears. This gave a lead in time to

managing the loss of this revenue and helped the Council avoid a S114 position during covid. Smoothing reserves are also in place to support volatile income such as planning fees.

- 4.35. As part of the work of the Commercial Board, the risk of the commercial activities are assessed and will inform the need for any future reserve provisions. The reserves held to manage economic and commercial risk are shown in the table below and explained in the following paragraphs.

Table five: Economic and Commercial Reserves Summary

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

- 4.36. Business Rates reserve – This reserve helps manage annual fluctuations in business rates reliefs awarded and the section 31 grants which compensate, as the two fall in different financial years. It is held to cover the risk that there will be a full business rates reset in the next parliament which would result in the loss of the benefit of growth built up since 2013/14, and to help mitigate the impact of the economic down turn on business rates income.
- 4.37. Airport Dividend Reserve – The dividend income is used in arrears to manage volatility in potential dividend receipts. It is unlikely that the dividend will return during the MTFP period, leaving a balance of £14.2m which has been applied across 2023/25.
- 4.38. Planning reserve – This is held to smooth the potential volatility of planning income relating across years. The Planning Fee reserve has grown since 2022/23, with the increase in planning fees which have to be used for a related purpose. This will be used to provide the capacity required (both in terms of staffing and specific studies required) to develop the Local Plan.
- 4.39. Investment Estate smoothing reserve - This reserve was created to manage risks due to the volatility in investment income, particularly with an economic downturn.

Insurance Fund

4.40. The Council has taken a decision to self-insure against specific risks such as property insurance (for properties where the reinstatement value is less than £300k), and contributes towards the policy excesses on Liability, Crime, Medical Malpractice, Motor, Property policies, where the service meets a proportion of the excess, and the balance is met from the insurance fund. The level of reserve required is assessed by an actuary every five years. The fund stands at £18.4m

Statutory reserves

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

Table six: Statutory Reserves Summary

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

4.42. Bus Lane Enforcement Reserve – This is a ring-fenced reserve which can only be applied to specific transport and highways related activity. Use of this income is set out in legislation, the details are:

- Any deficit associated with bus lane enforcement in the four years proceeding.
- Costs incurred by the authority for the operation of public passenger transport service
- A highway improvement project

- 4.43. On Street Parking Reserve – This is also a ring-fenced reserve which can only be applied to specific transport and highways related activity. Enforcement legislation restricts what the income from decriminalisation of parking income can be used for specific, and the details are:
- Costs incurred by the authority for the operation of public passenger transport service
 - A highway or road improvement project
 - Environmental improvement
- 4.44. There is an updated 5-year strategy for both the Bus Lane Enforcement and On Street Parking reserves. The planned use to support the revenue budget and capital commitments will considerably reduce the balance on these reserves. The commitments include:
- Ongoing contribution to environmental improvements within Neighborhood Services of £3.5m a year
 - Ongoing contribution to Metroshuttle at £1.1m a year
 - Support for the car park income shortfall at £2.1m per annum (in advance of rebasing the Parking Strategy), to be reviewed each year.
 - Funding for school crossing patrols (£386k a year) and/or associated capital investment to reduce their need.
 - Contribute towards the costs of the Transport Levy which includes:
 - Continuation of £4.1m a year agreed in previous years
 - Increased contribution of £2.3m from excess surpluses. This is included in the proposed savings.
 - £1m from 2024/25 increasing to £2m 2025/26 funded through forecast income from moving Traffic offences. This is also included in the proposed savings.
- 4.45. Ancoats Square Reserve – This is a commuted sum that has been received from the Homes and Communities Agency to fund maintenance in future years. The maintenance is for a period of at least 25 years.
- 4.46. Taxi Licensing Reserve - This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. The income is ring-fenced by statute.
- 4.47. St. Johns Gardens Contingency– is a funded by contribution from St Johns Gardens Tenants for Maintenance works.

Reserves Held for PFI's

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

Table seven: PFI Reserves Summary

| Reserves held for PFI's | Closing Balance 31/03/2024 | Closing Balance 31/03/2025 | Closing Balance 31/03/2026 | Closing Balance 31/03/2027 |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 |
| Temple PFI | 360 | 196 | 0 | 0 |
| Wright Robinson PFI Reserve | 1,556 | 1,567 | 1,453 | 1,305 |
| Total | 1,915 | 1,762 | 1,453 | 1,305 |

4.49. There are 2 Schools PFI reserves, Wright Robinson PFI and Temple PFI which were established to support the costs of these PFIs over the 25 years of the contracts when expenditure exceeds grant income.

Reserves held for accounting purposes

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

Table eight: Reserves held for Accounting Purposes Summary

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

Grants and Contributions used over more than one year

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

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

- 'Our Year' - legacy commitments plan that span over the next two years, the proposal is to fund £250k per annum from the designated children's reserve.
- Social Work Bursaries - to further develop Manchester's financial commitment to the recruitment and retention of social workers, it proposed that a £30k per annum bursary is created to support and encourage staff who have experience of working with children and their families seek a social work qualification via a Social Work Apprenticeship Scheme delivered by the Greater Manchester Social Work Academy. Drawn down on investment will phased over 2 years, £0.6m next year and a further £0.2m the year after.

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

Other Specific Reserves

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

Table nine: Other Specific Reserves Summary

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

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

General Fund

4.55. The only unallocated reserve is the General Fund Reserve, expected to be £19.6m at the end of 2023/24 if the current year overspend remains at the forecast £5.5m. The 2024/25 budget proposals include topping back up the general fund reserve by £3.5m to bringing the forecast balance to £23m. This reserve is held to meet costs arising from unplanned events, it also acts as a buffer to help mitigate against the financial risks the Council faces and may be used to smooth general expenditure across years as required.

Appendix 5a – Reserve Forecast 2024-27

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

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

| | Closing Balance Mar-24 | Withdrawal | Addition | Closing Balance Mar-25 | Closing Balance Mar-26 | Closing Balance Mar-27 | Purpose |
|---|------------------------|-----------------|---------------|------------------------|------------------------|------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Great Northern Square Maintenance Fund | 269 | 0 | 0 | 269 | 269 | 269 | Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square. |
| Art Fund Reserve | 31 | (31) | 0 | 0 | 0 | 0 | For art purchases |
| Manchester Move Reserve | 295 | 0 | 0 | 295 | 295 | 295 | To managed waiting list for Registered Providers |
| Manchester Safeguarding | 73 | 0 | 0 | 73 | 73 | 73 | Children's Safeguarding Board activity. The Board is a joint responsibility with MCC and the ICS |
| West Gorton Park Reserve | 170 | 0 | 0 | 170 | 170 | 170 | For spend on play equipment over the next 10 - 15 years |
| TOTAL | 16,058 | (14,989) | 10,350 | 11,419 | 9,261 | 7,103 | |
| EARMARKED RESERVES | | | | | | | |
| BALANCES HELD FOR PFI'S | | | | | | | |
| Temple PFI | 360 | (172) | 8 | 196 | 1 | 1 | Established to fund the requirements of the PFI scheme over 25 years |
| Wright Robinson PFI Reserve | 1,556 | (26) | 37 | 1,567 | 1,453 | 1,305 | PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant. |
| TOTAL | 1,915 | (198) | 45 | 1,762 | 1,453 | 1,305 | |
| MANAGING ECONOMIC AND COMMERCIAL RISKS | | | | | | | |
| Business Rates Reserve | 11,212 | (6,037) | 18,425 | 23,600 | 7,449 | 1,412 | To mitigate Business Rates income risk due to the uncertainty of future income with a potential reset and the impact of economic uncertainty. |
| Airport Dividend reserve | 13,116 | (13,116) | 0 | (0) | (0) | (0) | The income in the reserve is from the Manchester airport dividend which is then used in arrears to support the Medium Term Financial Plan |
| Planning Reserve | 3,057 | (1,909) | 0 | 1,148 | 371 | 299 | Used to smooth the volatility of planning fee income to avoid budget pressures if fee income reduces |

| | Closing Balance Mar-24 | Withdrawal | Addition | Closing Balance Mar-25 | Closing Balance Mar-26 | Closing Balance Mar-27 | Purpose |
|---|------------------------|-----------------|---------------|------------------------|------------------------|------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Investment Estate smoothing reserve | 1,443 | 0 | 0 | 1,443 | 1,443 | 1,443 | To manage budget pressures due to the volatility in investment income. |
| Land Charges Fees Reserve | 107 | (50) | 0 | 57 | 57 | 57 | To smooth the budget impact of peaks and troughs in demand. |
| TOTAL | 28,936 | (21,112) | 18,425 | 26,249 | 9,321 | 3,212 | |
| INSURANCE FUND | | | | | | | |
| Insurance Fund | 18,479 | (500) | 0 | 17,979 | 17,479 | 16,979 | The insurance fund has been established to fund risks that are self insured. |
| RESERVES THAT WILL BE UTILISED TO SUPPORT THE DELIVERY, FINANCING AND RISK OF THE CAPITAL STRATEGY | | | | | | | |
| Capital Fund Reserve | 68,199 | (14,117) | 0 | 54,082 | 37,973 | 16,272 | Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city. Acts as a buffer for the capital financing reserve if required |
| Capital Financing Reserve | 34,730 | 0 | 0 | 34,730 | 34,730 | 34,730 | Capital Financing Reserve: Held to fund expected future increases in borrowing costs linked to the Council's capital investment programme and significant level of internal borrowing. The reserve will be used to mitigate the impact on the revenue budget of increased borrowing levels in the future. |
| Investment Reserve | 7,020 | (2,047) | 0 | 4,973 | 3,159 | 1,282 | To deliver priority regeneration projects. |
| Town Hall Reserve | 5,795 | (2,917) | 0 | 2,878 | 199 | 199 | To fund commitments for the Town Hall Complex Programme |

| | Closing Balance Mar-24 | Withdrawal | Addition | Closing Balance Mar-25 | Closing Balance Mar-26 | Closing Balance Mar-27 | Purpose |
|---|------------------------|-----------------|--------------|------------------------|------------------------|------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Enterprise zone reserve | 2,504 | (102) | 500 | 2,902 | 3,295 | 3,682 | To underwrite the borrowing costs for development in the Oxford Road Corridor |
| Manchester International Festival | 6,343 | (1,000) | 500 | 5,843 | 5,343 | 4,843 | To fund agreed future Factory International grant from the reserve. Grant agreement is aligned to the Arts Council England funding cycle. |
| Eastlands Reserve | 748 | (4,050) | 5,118 | 1,816 | 816 | 12 | This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport. |
| Highways Commuted Sum | 5,068 | (89) | 0 | 4,979 | 4,890 | 4,801 | Contributions towards future maintenance |
| TOTAL | 130,406 | (24,321) | 6,118 | 112,203 | 90,405 | 65,821 | |
| RESERVES HELD TO SUPPORT DELIVERY AND RISK IN THE MTFP | | | | | | | |
| Budget smoothing reserve | 46,433 | (6,042) | 5,468 | 45,859 | 23,228 | 5,468 | Planned use to smooth the impact of budget shortfalls whilst savings are developed and implemented and until investment income returns. |
| Integration Reserve | 2,080 | 0 | 0 | 2,080 | 2,080 | 2,080 | The reserve is a joint resource used by the Manchester Local Care Organisation to support the infrastructure requirements that underpin the mobilisation of the Locality Plan. |
| Transformation Reserve | 6,068 | (1,833) | 0 | 4,235 | 2,735 | 2,735 | Includes £1.5m a year for three years to fund the revenue costs of the ERP project. A balance is held to support future change programmes and the budget impact of any VER/VS costs. |
| Supporting Families Reserve | 2,219 | (1,140) | 0 | 1,079 | 0 | 0 | To support the Thriving Families initiative, a whole family, strengths-based approach to child protection. |

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

| | Closing Balance Mar-24 | Withdrawal | Addition | Closing Balance Mar-25 | Closing Balance Mar-26 | Closing Balance Mar-27 | Purpose |
|--|------------------------|------------|----------|------------------------|------------------------|------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Making Manchester Fairer | 900 | (900) | 0 | 0 | 0 | 0 | Funding for Making Manchester Fairer including kickstarter schemes. |
| Public Health Reserve | 1,373 | 0 | 0 | 1,373 | 1,373 | 1,373 | |
| Fleet Maintenance Reserve | 28 | (25) | 25 | 28 | 28 | 28 | Reserve created for smoothing the impact of vehicle repair and maintenance costs. |
| Cleopatra Reserve | 120 | (120) | 0 | (0) | (0) | (0) | Balance to support legal costs relating to the CSE review programme |
| Landlord Licensing Reserve | 137 | 0 | 100 | 237 | 237 | 237 | This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards. |
| Selective Licensing reserve | 522 | 0 | 548 | 1,070 | 1,070 | 1,070 | Costs for administering the reputable landlord initiative and ensure compliance |
| Pension Risk Fund | 518 | 0 | 0 | 518 | 518 | 518 | To fund external pension liabilities |
| Nuclear Free Zone | 33 | (5) | 0 | 28 | 23 | 18 | General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve |
| Carbon Reduction Reserve | 540 | (295) | 0 | 245 | (0) | (0) | To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan |
| End User Device Reserve | 420 | (900) | 1,265 | 785 | 500 | 215 | To support ongoing ICT replacement programme. |
| Graves and Memorials | 97 | (20) | 0 | 77 | 57 | 37 | Money held in trust for repair and development costs for gravestones |
| Trading Standards Reserve | 93 | (36) | 0 | 57 | 57 | 57 | Specific grants such as Tobacco control, control of migration etc. |
| Housing Compliance Reserve (Fixed Penalty Notices) | 173 | (82) | 0 | 91 | 91 | 91 | Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance. |

| | Closing Balance Mar-24 | Withdrawal | Addition | Closing Balance Mar-25 | Closing Balance Mar-26 | Closing Balance Mar-27 | Purpose |
|--|------------------------|------------------|---------------|------------------------|------------------------|------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Community Safety Reserve | 445 | (100) | 0 | 345 | 245 | 145 | A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police. |
| Litter Reserve (Fixed Penalty Notices) | 190 | 0 | 0 | 190 | 190 | 190 | Under Government regulations reserve is ringfenced to a small number of specific projects. |
| Great Ancoats Management Improvement Reserve | 180 | (20) | 0 | 160 | 160 | 160 | Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion. |
| Social Value Fund | 96 | (40) | 40 | 96 | 136 | 176 | Reserves for Social Funding income from successful tenders |
| AGMA General Reserve | (0) | (30) | 0 | (30) | (30) | (30) | District Specialist Trading standards |
| Angel Meadow Reserve | 18 | (18) | 0 | (0) | (0) | (0) | Angel Meadow park |
| North West Construction Hub Reserve | 105 | 0 | 60 | 165 | 225 | 285 | Reserves for Social Funding income from successful tenders |
| Old Gorton Library | 27 | (27) | 0 | 0 | 0 | 0 | Contribution to Gorton Hub integration manager |
| Leasing Schemes | 2,730 | (2,730) | 0 | 0 | 0 | 0 | Leasing income |
| TOTAL | 8,743 | (5,348) | 2,038 | 5,433 | 4,878 | 4,568 | |
| TOTAL EARMARKED RESERVES | 284,378 | (85,439) | 32,094 | 231,033 | 157,696 | 107,473 | |
| | | | | | | | |
| Grand Total General Fund Reserves | 336,592 | (100,428) | 45,944 | 282,108 | 206,613 | 137,716 | |