

**Manchester City Council  
Report for Resolution**

**Report to:** Audit Committee – 5 October 2017  
**Subject:** Delivery of Budget Savings – Governance Arrangements  
**Report of:** The City Treasurer

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**Summary**

To detail the governance arrangements and the process for the delivery of approved financial savings.

**Recommendations**

Members are requested to note the report.

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**Wards Affected:**

All

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**Background documents (available for public inspection):**

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

- Executive, 8 February 2017, Suite of Revenue Budget Reports 2017-20

## **1.0 Introduction**

- 1.1 This report sets out the process for approval of saving proposals and reporting achievement against targets.

## **2.0 Background**

- 2.1 The City Council's budget strategy 2017-20 reflected a period of continued reductions in Government funding. Between 2010/11 and 2016/17 Directorate revenue budgets reduced by nearly 30% to c£405m. The workforce has reduced by 38% from 10,444 FTE to 6,452 FTE.
- 2.2 Prior to setting the budget this year, the Council took up the Government's offer of a four-year funding settlement for the spending review period to 2019/20; this set out the minimum funding allocations for each year. In support, the Council also published an Efficiency Plan for the period 2016/17 to 2019/20 which incorporated the suite of budget reports presented to Executive. The benefit of accepting a multi-year settlement was the assurance it provided over the medium term to enable the Council to effectively plan, and consult on, service change.
- 2.3 The final finance settlement for 2017/18 was issued by the Government on 8 February 2017. The overall impact of the four-year financial settlement for Manchester was a reduction in the Settlement Funding Assessment (SFA) of £69.5m from 2015/16 (of which £41.9m is since 2016/17).
- 2.4 After taking account of all the resources available to the Council (including reduced grants and increased Council Tax and investment income), and deducting the resources required (including demand and inflationary pressures) the Council was left with a budget gap of c£32m over the three-year period 2017-20.

## **3.0 Development of Savings Proposals for 2017/18 – 2019/20**

- 3.1 The Council must operate as a "going concern" and to do so it must ensure that it is financially resilient and can continue to fund, and carry out, its day to day activities. To this end the Council must ensure that:
- it continues to meet its statutory duties;
  - Governance processes are robust and support effective decision making;
  - its Medium Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets;
  - its savings plans are clearly communicated and link to specific policy decisions, with the impact on service provision clearly articulated;
  - it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience;
  - it continues to provide support to members and officers responsible for managing budgets; and

- it prepares its annual statement of accounts in an accurate and timely manner.
- 3.2 The provisions within the Local Government Finance Act 1992 set out what a Local Authority has to base its budget calculations upon and require an Authority to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151). The Chartered Institute of Public Finance and Accountancy (CIPFA) has stated that *“for local government, at its very simplest, a balanced budget means that the council is content that the combination of income, the sensible use of reserves and having robust savings plans in place means that underlying income will cover on-going costs and future commitments in a sustainable and manageable way”*.
- 3.3 To support the City Council to set a balanced budget for 2017-20, officers within each Directorate of the Council developed a range of savings options to address the budget gap. These included efficiencies and improvement options as well as savings which could only be achieved through service reductions. Each Directorate sought to maximise budget reduction proposals from efficiencies and service improvements, some of which may have required an element of additional spend to realise, such as investment in ICT.
- 3.3 The process to draw up budget options included the development of business cases and the completion of impact assessments, including an understanding of the potential effect on people and place. Each option was risk-rated against deliverability and impact.
- 3.4 It was also recognised that the financial plan for Adult Social Care should build upon its close relationship with Health spend and the move towards integration. The 2017-20 savings strategy was based on a joint approach with Health and its delivery was predicated upon:
- a) investment in reform and new care delivery models as ‘one-system’; sharing the benefits using a broader risk/reward approach to reduce costs in high cost residential or acute care to enable investment in community based provision and, in so doing, deliver savings. To support this approach, investment funding was available from the Greater Manchester Transformation Fund and CCG investment funding. Subsequent to the budget approval there has also been the announcement of a Reform Grant for ASC. Business cases to prioritise and deploy funding have been developed and assessed at a formal panel, under the governance of the MHCC Executive, prior to recommendations to the MHCC Finance Committee. The benefits arising support the financial savings strategy whilst directing a proportion to support ongoing costs when the initial investment ceases. A full partnership investment agreement on the arrangements is being drawn up.
  - b) A single commissioning approach to secure added value, looking at new payments arrangements focused on outcomes, with resources assigned to revised priorities, a joint efficiencies programme again sharing benefits, and reshaping low impact provision. A pooled budget is considered to be a

key enabler, underpinned by a financial framework inclusive of a risk/benefit sharing agreement. Reporting to MHCC Finance Committee, a programme of working sessions has been used to develop a joint efficiencies plan, which includes a significant range of schemes, primarily focused on health areas rather than Adult Social Care. Work on the financial framework is progressing and it is envisaged that agreement to the pooled budget will take effect in 2018/19.

*Budget Consultation and Our Manchester Approach*

- 3.5 Given the scale of the cuts faced by the City Council, Members wished to ensure that spending decisions reflected the Our Manchester priorities and took account of what people thought that they and others, including the Council, could do differently.
- 3.6 Developing a budget for three years in the context of Our Manchester was an opportunity to take a more strategic approach and to include all public service partners in helping people and communities to connect to growth, instead of cutting services at the margins.
- 3.7 A more participatory and strengths based approach was taken to budget engagement, which significantly extended the period and reach for engagement and formal consultation. In setting a three year budget there was a clear requirement for the number of people engaged to grow in line with the scale of the decisions being made. The consultation process was split into three distinct phases:
- **Our Budget Conversation** (21 July – 16 September 2016): this provided a clear understanding about what services and places are valuable to Manchester people. The outcome of the budget conversation was reported to Council Officers and to the Executive and Scrutiny Committees, and was taken into account by Officers when officers developed budget options.
  - **Budget Options consultation** (3 November – 15 November 2016): The second phase asked people for their opinions on the wide range of budget options developed by Officers to influence which of these should be developed into budget proposals. The Executive's draft budget proposals were informed by responses to these first two phases of consultation, as well as comments and feedback from each of the six Scrutiny Committees.
  - **Budget Consultation** (3 January – 10 February 2017)– The final phase shared the detail of the Executive's draft proposed budget, outlining the views captured during the second phase and detailing how the options were considered and developed into the proposed draft budget. This offered people the opportunity to share their views for the final time.
- 3.8 This budget conversation/consultation was the longest and most engaged process regarding the budget that the Council has undertaken. Lasting over 20 weeks, 4,641 people participated across the three phases (compared to a response rate of 50 to the 2014 Budget Consultation).

### *Scrutiny and Approval of Saving Proposals*

- 3.9 Scrutiny is a crucial part of the budget setting process to ensure that available resources are used wisely and savings options/proposals are subject to due consideration and challenge. The relevant Overview and Scrutiny Committees had a critical role to play in considering the savings options put forward for the services and functions within their remit, and advising which of these the Committee believed should, or should not, form part of the Executive's budget proposals.
- 3.10 At its meeting on 8 February 2017, the Executive received a series of reports which outlined the budget position of the Council after the announcement of the provisional Local Government Finance Settlement and the results to date of the consultation. These reports included:
- a report setting out the implications for the Council of the settlement and identifying a **Strategic Framework** to guide detailed development of a budget strategy for 2017/20;
  - a detailed **budget report from each Directorate** on proposals for service change to ensure they continue to meet the Council's objectives whilst managing within a reduced resource envelope; and
  - a **Medium Term Financial Plan (MTFP)** report proposing changes to 2017/20 budgets and setting out the issues and legal requirements that members need to consider prior to the Council finalising the budget and setting the Council Tax for 2017/18. This is a key document for the authority which demonstrates all the features of a financially resilient organisation – openness, clarity, robust and constructive challenge, long-term planning, a clear analysis of risks and realistic savings plans built on a sound strategy for implementation.
- 3.11 The Resources and Governance Scrutiny Committee at its meeting on 20 February considered the recommendations of Executive. The Committee considered all the issues arising from individual Business Plans that chairs of scrutiny committees wished to draw specific attention to. It also received a report outlining the results of the public consultation exercise undertaken and a summary of the responses to the Sure Start children's centres consultation.
- 3.12 Taking in to consideration the outcome of Scrutiny the Council at its meeting on 3 March 2017 approved the proposed budget and savings targets.

### *Savings Proposals 2017-20*

- 3.12 The savings proposals approved for 2017-20 totalled £31.757m, taking into account the Our Manchester priorities and the continuous engagement with Manchester residents, businesses and other stakeholders who have expressed clear views on what they would wish to see prioritised if major cuts were required.
- 3.13 The total savings per Directorate are shown in the table below and include the full year effect of savings already approved in 2016/17 (i.e. £3.326m in

2017/18 and £1.864m in 2018/19) taking the total three year target to £36.947m.

|                                 | 2017/18       | 2018/19      | 2019/20       | Total         |
|---------------------------------|---------------|--------------|---------------|---------------|
|                                 | £,000         | £,000        | £,000         | £,000         |
| Adults                          | 6,065         | 4,814        | 4,000         | 14,879        |
| Children's                      | 1,694         | 220          | 180           | 2,094         |
| Corporate Core                  | 6,207         | 2,945        | 2,160         | 11,312        |
| Growth & Neighbourhoods         | 2,119         | 1,250        | 4,510         | 7,879         |
| Strategic Development           | 783           | 0            | 0             | 783           |
| <b>Total Savings identified</b> | <b>16,868</b> | <b>9,229</b> | <b>10,850</b> | <b>36,947</b> |

#### 4. Monitoring of the Achievement of Savings

4.1 As stated previously the City Treasurer is responsible for recommending a deliverable budget. A culture of regular monitoring and constructive challenge in each part of the organisation is essential to ensure targets are met.

4.2 A focus on the delivery of the budget is essential, which will include achievement of the savings proposals. To facilitate this there is a consolidated monitoring document which tracks the savings plans, including what has been agreed and how much progress has been made in implementation. To track progress a RAG risk rating is used as follows:

- **R**ed - High Risk - Plan in place but there are significant risks associated with realising the savings
- **A**mber - Medium Risk - Plan in place but there are moderate issues/problems associated with the savings
- **G**reen - Low risk - On track for delivery as planned with little risk associated

4.3 There is a robust process in place around financial management and monitoring and the measurement of performance as part of the Performance Management Framework, viz:

- Each Directorate maintains their own detailed monitoring arrangements (alongside the corporate assurance process) which includes monthly Departmental Management Meetings at which the latest savings trackers are provided and reviewed, there is a forward plan which sets out the detailed reports to come to each meeting updating on progress with delivery of specific savings and managing significant pressures that have emerged through the monthly financial monitoring. The Heads of Finance adopt a responsibility of constructive challenge on the part of the City Treasurer and are key members of Departmental Management Teams. The relevant Executive Member is then briefed on the latest position.
- A Sub group of SMT with finance, HROD and service leads meet monthly to review the detailed savings tracker and a covering report highlighting high risk areas and proposed actions and mitigations.
- Each month as part of the overall integrated monitoring process the position against the approved savings together with mitigation, where required, is

reported to the Council's Strategic Management Team and discussed with relevant Executive Members.

- The budget position is reported to Executive each quarter outlining the reason for any variance to budget and actions being taken. The report to Executive on 18 October will detail the position as at the end of August 2017.

4.4 Of the 2017/18 savings programme totalling £16.9m, c£1.9m (11%) of savings are currently assessed as high risk and officers are working to identify in-year mitigation.

4.5 To support the current year's budget and also looking forward to 2018/19 and 2019/20, a full review of likely resources, budget pressures and the deliverability of savings was carried out during August-September. Officers have identified a number of options towards achieving a balanced budget which will be considered by Members as part of the current year budget update and subsequent formal scrutiny and approval process for future years in line with the budget setting timetable. Should any previously approved savings be considered as unachievable (whether all or in part) then these will be identified, together with proposals to meet the resulting budget gap.

4.6 The timetable below highlights the key dates and activities within the budget process for the remainder of the year.

| Date   | Activity  |
|--|---|
| Autumn   | Autumn Budget (22 November) and outcomes of refresh of MTFP assumptions   |
| December   | Finance Settlement anticipated  |
| w/b 1 January 2018 and w/b 29 January 2018 – Scrutiny Committees | Updated Directorate Budget and Business Plan reports to be available for the January or February Scrutiny cycle to be considered prior to Budget Executive. The January cycle will present challenges if there are any changes in the Settlement. |
| 7 February 2018 – Budget Executive                               | Updated budget reports and locality plan  |
| 19 February 2018 – Resources and Governance Budget Scrutiny      | Consider budget reports and outcomes of any consultation and engagement with residents on the budget to inform discussion at Budget Council.  |
| March Council  | Approval of the City Council's Budget   |

## 5.0 Recommendations

5.1 To note the report.