MANCHESTER
CITY COUNCIL

2017-2020 Executive Budget Papers Document Pack

The pack is issued to Councillors for the meetings of:
Resources and Governance Committee - 20 February 2017
Budget Council - 3 March 2017

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Further Information

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This pack was issued on **10 February 2017** by the Governance and Scrutiny Support Unit, Manchester City Council, Town Hall, Albert Square, Manchester, M60 2LA.

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny Committee – 20 February 2017

Subject: Overarching Budget Report 2016/17-2019/20 - Summary of the Updated Financial Position

Report of: Chief Executive and City Treasurer

Purpose of the Report

This report sets out the changes that have been made to the suite of budget reports that were reported to Executive in January 2017.

Recommendation

The Executive is requested to note this report.

Wards Affected: All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report sets out the Strategic Framework for the delivery of a balanced budget for 2017/18. The Framework is aligned to the priorities of the Community Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report

- Risk Management – The risk management implications are set out in an accompanying report later on the agenda.
- Legal Considerations – The legal implications are set out in an accompanying report later on the agenda.

Financial Consequences – Revenue and Capital

The report sets out the main changes made to the suite of budget reports for 2017/18 to 2019/20 since the January 2017 Executive.

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Background documents (available for public inspection):

None

Introduction

1. The Executive considered the full suite of budget reports at its meeting on 11 January. These formed the basis of the third and final part of the budget consultation which runs from 3 January until 10 February. The reports were developed with reference to the budget options consultation which closed on 15 December and recommendations from Scrutiny Committees which considered the budget options at their November and December meetings.

2. The suite of budget reports is listed below.

   - Budget 2017/20 - The Strategic Response
   - Medium Term Financial Strategy 2016/17 to 2019/20
   - Capital Programme Budget 2017/18 to 2021/22
   - Children's Services and Education and Skills Budget 2017/20
   - Adult Social Care Budget 2017/20
   - Locality Plan Three Year Budget Strategy 2017/20
   - Growth and Neighbourhoods Budget 2017/20
   - Strategic Development Budget 2017/20
   - Corporate Core Budget 2017/20
   - Housing Revenue Account 2017/20
   - Schools Budget and Dedicated Schools Grant

3. The majority of the reports remain largely unchanged from the January Executive.

4. The Draft Directorate Budget and Business Plans are being considered by the relevant Scrutiny Committee(s) week beginning 30 January. The recommendations from these Committees will be considered at Executive before it agrees the final budget proposals.

5. The reports detailing the Schools Budget and Dedicated Schools Grant and the Housing Revenue Account 2017/20 have previously been approved at the January Executive. They are included for information only as part of the suite of reports.

6. The Medium Term Financial Strategy has been updated to take into account the final council tax and business rates position and some other minor adjustments.

7. The Capital Strategy has been been updated to reflect the latest 2016/17 forecast position and its impact on the anticipated profile of spend in future years. The changes are detailed in the Capital Monitoring Report and reflected in the Capital Programme Budget report elsewhere on the agenda.

8. The purpose of this report is to highlight the changes which have been made since the January Executive meeting.

Summary of the main changes since January Executive

9. Since the January Executive Meeting the following key decisions have been made which impact on the overall budget position:

- The announcement of the Collection Fund surplus for Council Tax and Business Rates
- The setting of the Council Tax and Business Rates base
- Approval of a revised Council Tax Support Scheme

10. It should also be noted that the report is based on the Provisional Finance Settlement with the final Settlement due to be published in early February. There could therefore be some further changes to the position, although changes at final settlement stage are normally relatively minor.

Business Rates

11. There have been no changes to the revenue budget position following the key decisions made on the business rates Collection Fund surplus or setting of the Business Rates base.

12. As part of the Provisional Finance Settlement it was confirmed that the 100% business rates retention scheme will be piloted from 1 April 2017 in a number of areas including Greater Manchester. These pilots will operate on a 'no detriment' basis i.e. the pilot is to be without detriment to the resources that would have been available to individual authorities under the current local government business rates finance regime. Because of this agreement, the budget is set on the basis of the current business rates regime. However the presentation of the business rates position has changed to reflect the move to 100% retention and the fact that Revenue Support Grant and the Public Health Grant are now funded from business rates rather than being specific grants. A consistent approach has been adopted by all the Greater Manchester local authorities and the Medium Term Financial Strategy has been amended to take this pilot into account.

Council Tax

13. The Council's share of the estimated Council Tax Surplus for 2016/17 has been declared as is required by 15 January. This resulted in an increase in the Council's share of the surplus from £4.097m to £5.940m, an increase of £1.843m. This has been included in the Medium Term Financial Strategy for 2017/18.

14. The increased surplus has been used to fund the following additional pressures identified since the report to January Executive:

- Additional Dedicated Schools Grant pressure £500k – this is also reflected in the Children's Services Budget Report.

- Waste Contingency £500k to reflect risks associated with the assumed savings within the GM Waste Levy
- Commissioning Team Costs £200k. These changes have been reflected in the Corporate Core Budget report.
- Additional costs of business rates revaluations on Council Buildings £190k

15. The remaining balance of £453k has resulted in a reduced call on the general fund reserve in 2017/18 of £509k.

16. In 2018/19 the additional pressures outlined are being funded from a transfer from the capital fund and in 2019/20 from the expected growth in business rates/commercial income.

Levies

17. The Waste Levy and Transport Levy have been updated in line with the final figures from the GM Combined Authority (GMCA). In addition, in order to facilitate changes in the Waste contract it is proposed that the GM Waste Disposal Authority increases revenue spend by £77.1m. To assist Districts in meeting this cost the Transport Levy has been reduced on a one-off basis. The increase in the Waste Levy for Manchester is £16.927m with a corresponding reduction in the Transport Levy. There has also been an increase in the District charge payable to GMCA for non-transport functions of £630k to provide previously agreed funding for the Business Growth Hub. The Transport Levy has been reduced by a corresponding amount.

18. Further detail is contained within paragraph 41 of the Medium Term Financial Strategy. There is no overall impact on the Medium Term financial plan as a result of these amendments.

Reserves

19. The report now includes a recommended £4.5m reserve, predominately created from the 2016/17 Business Rates surplus, to fund the City Centre Review which is elsewhere on the agenda. Full details are set out in paragraphs 82 to 84 of the Medium Term Financial Strategy.

<u>Next Steps including Consultation</u>

20. After consideration by the Executive, the final budget proposals, together with the outcome of the final stage of the budget consultation, will be considered by the Resources and Governance Scrutiny Committee at its special budget meeting on Monday 20 February. Chairs of the other five Scrutiny Committees will be invited to attend this meeting to articulate the views of their Committee regarding final proposals.

21. The Council will then make its final decisions and will set the budget on 3 March.

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny Committee – 20 February 2017

Subject: Budget 2017/20 – A Strategic Response

Report of: The Chief Executive, the City Treasurer and the City Solicitor

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Purpose of the Report

This report sets out the implications for the City Council of the Four Year Final Local Government Settlement for 2016/17 and the Provisional Local Government Finance Settlement 2017/18. It sets out how Our Manchester and the linked Budget Consultation process have informed the development of the strategic framework which guides the development of the Medium Term Financial Plan and Capital Strategy.

Recommendations

The Executive is requested to:

1. Note the impact on the City as a result of the provisional Local Government Finance Settlement as it affects Manchester;

2. Consider the Revenue Budget Reports 2017-2020 and Capital Strategy 2017-2022 elsewhere on the agenda in the context of the overarching framework of this report.

Wards Affected: All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report sets out the Strategic Framework for the delivery of a balanced budget for 2017/18. The Framework is aligned to the priorities of the Community Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report
- Risk Management – The risk management implications are set out in an accompanying report later on the agenda.
- Legal Considerations – The legal implications are set out in an accompanying report later on the agenda.

Financial Consequences – Revenue and Capital

This report provides the framework for Revenue and Capital planning from 2017/18.

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Background documents (available for public inspection):

None

Introduction

1. This report provides the over-arching framework against which the suite of capital and revenue budget reports on the agenda should be considered.

2. The priorities set out in this report stem from the 'Our Manchester' Strategy. Our Manchester is not only the long-term strategy for the city; it is also at the core of how that strategy is delivered. The principles that underpin the strategy have been developed to fundamentally change the way that services are delivered across the city and a shift in the relationship between the Council and the people of Manchester. This will set the framework for the Council's planning process for the future and how it will continue to work with residents, stakeholders and partners. The priorities are set out in Section Two of this report.

3. Delivering these changed relationships alongside the shared vision and roadmap for the City set out in the Our Manchester Strategy will also require a different approach, including how decisions about the planning and allocation of resources are made. Consequently, the budget process for 2017/18-2019/20 has been designed differently to ensure that all stakeholders – residents, businesses, visitors, partners and staff – had the opportunity to tell the Council about what their priorities are for Manchester, how they think the Council should best target its resources, and what they think about the budget proposals before the budget is set.

4. The budget proposals have to be in the context of the resources available to the Council. Section One of this report therefore considers the financial context taking into account both resources available from central government and those generated locally alongside the need to fund unavoidable cost pressures and council priorities. Section Three considers the development of the Capital Strategy and Budget in the context of the resources available and the priorities for the City.

Section One: Financial Context

5. The Budget for 2017/20 is set in a period of continued reductions in government funding. Between 2010/11 and 2016/17 there have been savings and budget reductions of £271m with Directorate Budgets reducing by 29% to £405m. The workforce has reduced by 38% from 10,444 FTE to 6,452 FTE.

6. To assess the resources available to the City Council for this three year Budget Strategy, the starting point has been the four-year settlement figures. The financial position for the Council for 2016/17 to 2019/20 was set out in the four year Finance Settlement published in February 2016. This included the offer that 'the government will offer any council that wishes to take up a four year funding settlement to 2019/20 and publish an 'efficiency plan'.

7. The following terms are used in the Settlement:

- *Settlement Funding Assessment (SFA)*– The Local Authorities share of the local government spending control total which will comprise its Revenue Support Grant for the year in question and its baseline funding level.
- *Settlement Core Funding* - Council Tax income (at 2015/16 levels) and Settlement Funding Assessment (comprising estimated business rates and Revenue Support Grant)
- *Core Spending Power* – This is a measure of revenue finance available to local authorities which is used by CLG to compare cuts to authorities and includes Settlement Funding Assessment, Forecast Council Tax, improved better care fund (from 2017/18) and New Homes Bonus. Unlike the previous spending power measure it does not include original Better Care fund or Public Health Grant.

8. When the Settlement was published in February 2016, after taking into account the full range of ways councils can raise money it was claimed this is a ‘flat cash’ settlement over four years. Using the government’s measure of ‘Core Spending Power’ the government calculate this will fall by an average of 0.4% over the four year period. The equivalent percentage calculated by the Department for Communities and Local Government (DCLG) for Manchester is 0.9%. This includes the impact of inflation on council tax and business rates, with an assumed 1.75% increase in council tax each year alongside growth in the council tax base. The figures also include the additional Better Care Fund monies and assume local authorities will raise the council tax by a further 2% each year for social care.

9. The national reduction to Settlement Funding Assessment over the four years was 31.1%. The equivalent percentage calculated by DCLG for Manchester is 23.2%. With the Provisional Settlement published in December 2016 this has changed slightly to a reduction of 22.8% for Manchester.

10. The overall impact of the Four Year Financial Settlement for Manchester was a reduction in SFA of £69.5m from 2015/16 (£41.9m since 2016/17 which is the period of this three year budget strategy). Since the publication of the settlement, the first phase of changes to schools funding have also been announced. As well as a risk of reduced funding to schools, the level of funding to support the functions carried out by the Council is also likely to reduce and £4m has been allowed in 2018/19 to reflect the reduced flexibility, particularly in the High Needs block where £3.4m used to support the costs of Out of City Placements and short breaks.

11. The council is also facing significant unavoidable cost pressures which total £48m (£52m when the estimated pressure from changes to DSG is included) over the three years – the main ones are set out below:

- 1% Non Pay inflation (c£3.1m pa and £9.2m over the three years)
- Cumulative pay inflation at c1% per annum and including costs of the Manchester Minimum Wage (c£8.2m at the end of the three years)
- Increased commissioning costs, predominately within Children and Families, relating to the impact of the increase to minimum wage, increases of £4.3m per annum - £12.9m over the three years

- £0.9m for the apprentice levy from 2017/18
- £6m in 2017/18 relating to continuing demand on social care budgets and £3m per annum thereafter
- £2m to continue the original one off investment in 2016/17 in the City's highways and pavements.

12. The above formed the basis of the Budget Reports to Executive in October 2016, which set out the likelihood of a £40m to £75m gap by the end of the three year period, with the final position being subject to the outcome of the 2017/18 Finance Settlement and the work of the Council to confirm the overall level of resources available including the council tax base and position on business rates. The October Executive reports also formed the basis for the Council's Efficiency Plan.

13. In October the Council published its efficiency plan which has been accepted by DCLG and the Four Year Financial Settlement Figures have been confirmed. In December the Provisional Finance Settlement was received.

The 2017/18 Finance Settlement and 2017/18 to 2019/20 Financial Position

14. The 2017/18 Finance Settlement has had little impact on the overall financial position of the Council. The key announcements are listed below:

- The Council Tax rate can be increased by up to 5% in 2017/18 and 2018/19 before triggering a referendum. The core principle of 2% a year will continue to apply. Social Care authorities have flexibility to increase the Social Care precept by up to 3% in 2017/18 and 2019/20 (previously 2%) although the 6% over three years can not be exceeded. Therefore this does not bring any additional resource overall. A 1% increase in the social care precept generates c£1.3m in additional council tax income.

- There is an additional Adult Social Care grant of £240m nationally of which Manchester will receive £2.7m. This is to be distributed on the basis of the adults relative needs formula and does not take account of the ability of individual Local Authorities to raise funds through a precept.

- The New Homes Bonus Grant will be reduced nationally by £240m to fund the Social Care Grant. This is bringing forward planned reductions from 2018/19 by reducing the number of legacy years paid. It is also introducing a new reduction by applying a baseline for housing growth at 0.4% of the prior year's Band D properties.

- There is no new central government funding for Adult Social Care, nationally the grant changes are neutral however there will be a distributional impact.

- 97% of Councils accepted the multi-year settlement offer and published an efficiency plan. The government has now written to those authorities to confirm the offer. Those who did not accept have only had funding allocations confirmed for 2017/18 and will have their allocations revisited in 2018/19 and 2019/20

- The settlement has confirmed the intention to move to 100% business rates retention by 2020/21 and that this will be piloted in a number of areas, including Greater Manchester, from 2017/18.

15. In summary the resource position has changed as a result of the following:

- A reduction in New Homes Bonus grant of £3.6m in 2017/18 and £1.2m in 2018/19 and 2019/20 respectively.
- Inclusion of Adult Social Care Support grant of £2.7m in 2017/18 only.

The net effect of these two adjustments in 2017/18 is a reduction in funding of £0.9m for Manchester. The ability to increase Council Tax by 5% in 2017/18 rather than 4% results in additional income in 2017/18 of £1.329m. However by the end of the three year period the Council Tax increases have a neutral effect and overall the council is £1.2m worse off.

16. Changes to early years and schools funding have also been announced and are out to the second consultation stage. The launch of the second stage consultation on a schools national funding formula is a key development and has significant implications for schools in Manchester who are likely to see a reduction in their budgets over the next three years.

17. There has been a full review of how the resources available are utilised to support the financial position to best effect. The growth in the City is starting to generate additional revenue. This includes £8.374m additional airport dividend announced in August and November of this year, which will be used to support the revenue budget alongside the decision to utilise £6.76m of the Airport dividend that is currently used to support the capital investment to support the revenue budget. More volatile one off income - such as collection fund surpluses - will be used to support investment in its place. The policy on the amount of funding the council has to set aside to repay debt will be revised with £5m per annum now available to support the revenue budget. Finally, commercial income generated from business rates activity etc is likely to continue to grow and this has been factored into the budget.

18. The increasing resources generated locally will underpin a more stable funding base for the revenue budget and mitigate the scale of the budget reductions required over the next three years.

19. The net result of the above is that the council now needs to find budget reductions of £30m over the three year period. The table below shows a summary of the financial position for the three years of the Budget Strategy.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Resources Available:				
Revenue Support Grant	113,768	0	0	0
Business Rates income incl. Top Ups / Tariffs	165,571	317,555	312,562	303,418
Council Tax	136,617	143,507	150,272	157,140
Grants including Public Health	78,128	22,960	27,780	37,157
Dividends and Use of Reserves	34,432	46,019	45,784	44,471
Total Resources Available	**528,516**	**530,041**	**536,398**	**542,186**
Resources Required:				
Corporate Costs:	121,604	124,788	124,386	125,935
Directorate Costs:				
Central Costs	12,740	12,340	12,240	12,240
Directorate Budgets	394,172	386,049	383,555	383,555
Budget Pressures	0	21,367	39,304	52,213
Total Directorate Costs	406,912	419,756	435,099	448,008
Total Resources Required	**528,516**	**544,544**	**559,485**	**573,943**
Budget Gap	**0**	**14,503**	**23,087**	**31,757**
In Year Savings required	0	14,503	8,584	8,670

20. The year with the greatest financial pressures is 2017/18. In order to avoid making cuts in the first two years and then having a surplus of resource in the final year, the use of reserves will smooth the position in the first two years which can be repaid in the final year.

Section Two: Our Manchester and Strategic Priorities

21. This budget is being set on an Our Manchester basis. It started with a conversation about the strengths of the City that people want to build on - but also what people think they and others as well as the Council could do differently given the scale of yet more cuts in City Council and other public services. The Council has listened.

22. The Our Manchester ten year ambitions are the touchstone when decisions are taken about what to prioritise:-
- Thriving - creating jobs and healthy businesses
- Filled with talent- both home grown talent and attracting the best in the world
- Fair - with equal chances for all to unlock their potential
- A great place to live - with lots of things to do
- Buzzing with connections - including world class transport and broadband

23. As a City we have the opportunity to shape much about our future, particularly in terms of transport, skills, health and housing, with new powers devolved to the city region. Over the next ten years a number of global and national issues such as changing patterns of international trade as a result of Brexit and the enduring impacts of Climate Change, will impact on the City. The Council will continue to respond to, shape and influence these important agendas going forward.

24. The Council's budget must also be defined at a time when new uncertainty has been created for the Manchester economy following the Brexit vote. While there has continued to be progress in growing the Manchester economy, which is so important to the wider region as well as to residents, there is still a long way to go to tackle the legacy of deprivation which remains. It remains a priority to restructure the City's economy and eliminate the level of exclusion which a still high proportion of residents experience through unemployment, low skills and low paid unstable work. Post Brexit, there will need to be more emphasis on developing international trade and investment - local and national investment in infrastructure such as High Speed Rail across the North and to London- and investment in the drivers of growth such as the City Centre, the Oxford Road Corridor and the Airport City Enterprise Zone. There must be a renewed focus on the key sectors which will drive jobs and productivity e.g. Life sciences, advanced manufacturing and technology, leisure and culture, finance and professional services.

25. In respect of Climate Change, Manchester has set a target of reducing its 2005 CO_2 emissions by 41% by 2020. This can only be achieved through a combination of local action and national policy on energy and transport. Our Capital Strategy and the development of new policy frameworks in areas which are Green and Blue Infrastructure, Residential Design and, at a Greater Manchester level, through the GM Transport Strategy 2040, will drive forward our local actions.

26. Enabling all residents to share in the City's economic success by getting good jobs will require further improvements in early year's services, in schools and in skills and employment programmes. Education and training will need to be aligned with the skills which are needed by business in and around the City. Apprenticeships and action to tackle youth unemployment, particularly in the most deprived neighbourhoods, and for Children Leaving Care must continue to be a top priority.

27. One of the challenges of the Budget is to find ways of continuing to fund services when costs are increasing, especially as the City's population continues to grow and the resources available to the Council are reducing. There can be no business as usual approach: the Council has to build upon the opportunities created by the Greater Manchester Devolution deals to provide different solutions, working across public service boundaries with a focus on both place and people. This is especially true for Adult Social Care - the area where the Council spends the most - where integration at locality level with health services will provide better and more efficient services, and prevent some of the costs of people going into hospital or residential care.

28. The City's different neighbourhoods need the right mix of housing that people can afford. They need great schools, parks, sports and cultural facilities, good roads and transport links, streets and public spaces free of litter and anti-social behaviour. These are the basic requirements which should characterise all neighbourhoods within the City in order to retain and attract the people with the skills the economy needs both now and for the future. Neighbourhoods

with concentrations of unemployment and low skills, and families and individuals living in poverty require particular support. Helping people from Manchester's many different communities to mix and get along together- and to have equal access to the benefits of good jobs and wealth - must also represent a key priority.

29. Our Manchester is a new approach to delivering these priorities. It is about working with people, listening, connections with their families and communities. It is also continuing to address the root causes and intervening earlier to prevent problems and the associated costs later.

30. As part of Our Manchester, in partnership with other public services, the Council has been listening more to its own staff and has now brought forward a new strategy called " Our People " to improve the way all staff are engaged in the City's priorities, to maintain morale and motivation despite the continuing need to make cuts, to ensure consistent good leadership and management, and to streamline processes and procedures to allow staff and managers to focus on first class service delivery. These will be key to the Council's continuing drive to become an efficient and effective organisation in everything it does.

Section Three: Capital Strategy

31. Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The development of a longer term, five-year, Capital Strategy forms a critical part of the City Council’s strategic and financial planning from 2017/18.

32. The challenge for the future is to maximise the capital resources available to the Council that secures the optimum balance between the capital and revenue resources available and delivers best value in the pursuit of Our Manchester priorities. This will require continued investment for transformation to define Manchester as an attractive place to live and further improve the quality of life for residents. Within a wider City Region and regional context the ambition is for Greater Manchester to become a financially self-sustaining city, sitting at the heart of the Northern Powerhouse with the size, the assets, the skilled population and political and economic influence to rival any global city. A funding strategy and evaluation framework have been developed to ensure that available resources are maximised and schemes put forward are in line with priorities and those which deliver the greatest benefit.

33. A detailed report on the Capital Strategy (2017/18 to 2021/22) is contained elsewhere on this agenda. Investment Proposals have been determined in accordance with the priorities of the Council contained within the Our Manchester Strategy and are aligned with the Council’s revenue budget strategy. Included within the capital programme is significant investment in the areas which residents and other stakeholders have said really matter to them such as spend on highways, housing, schools, parks and other leisure facilities. It also includes investment in the Town Hall, the capital and revenue

costs of which will be met from within existing budgetary provision, taking into account the planned changes to the Minimum Revenue Provision.

Section Four: A Summary of the Councils Budget Proposals

34. This section of the report explains the results of the consultation exercise and how members in the light of these outcomes and the established priorities for Manchester have determined budget proposals for the next three years.

Budget Consultation

35. A detailed report explaining the results of the budget consultation will go to Resources and Governance Scrutiny Committee on 20 February - what Manchester people say to date is that if there has to be budget reductions these should be focussed upon back office services before front line services. Some of the key messages received so far include the fact that options based on improving efficiency are supported. These include for example, using space and energy in buildings more efficiently, more effective collection and disposal of waste including increasing recycling and the better management of contracts. On the other hand people did not support options that would directly impact on certain key services, for example:

- Early Years services and Children Centres.
- Community safety, enforcement and prosecution services
- Skills and employment programmes
- Reduce services which support the vulnerable such as emergency welfare grants.
- Undermine the basics such as grounds maintenance and the level of neighbourhood services.

36. Members have been concerned to ensure that all decisions wherever possible reflect the Our Manchester priorities and the outcome of the consultation. The principal ways this has happened are described below.

Growth and Neighbourhoods

37. Growth and Neighbourhoods deliver the services that keep the city clean, green and safe, manage local services and have responsibility for driving growth. Services include:

- Waste collection
- Street cleaning
- Planning and enforcement
- Parks and green spaces
- Libraries and sports and leisure
- Local markets
- Supporting businesses and helping people into work.

38. The Council currently spends £72.94 million on these services and employs 1,373.5 people to deliver them.

39. Of the Budget options totalling c£58m published by the Council in October, £9.44m were for services within the Growth and Neighbourhoods Directorate. Following the Local Government Finance Settlement and after consultation with residents and stakeholders, the budget proposals identify savings of £31.757m, of which £7.22m are from Growth and Neighbourhoods.

40. Options to reduce events in parks and other leisure events have been rejected and options to cut spending on Christmas Lights have also been rejected, although some efficiencies will be made through sponsorship and looking at all Council spending in an integrated way. There will be increased investment over the three year period to support City Council services within the City Centre.

41. These choices reflect the priority to ensure all Manchester neighbourhoods are great places to live, with lots of things to do and a City which is thriving. Linked to these themes the Capital Strategy, which has been formulated at the same as the Revenue Budget, has prioritised investment in world class cultural facilities at Factory and the St John's area which will be become a new creative hub for the City and the wider region - there will also be capital investment in Wythenshawe Park, Heaton Park, local parks, green spaces and allotments in other parts of the City.

42. Options for savings from more efficient use of energy in leisure centres are being taken forward. There is also will also be capital investment to modernise and renew the Abraham Moss Leisure Centre which was in line with what residents said in the consultation. The option to increase income by investing in bereavement services is also being taken forward on this basis.

43. But hard decisions have also had to be taken to deliver a balanced budget - these include the removal of the subsidies for Wythenshawe Market. There will be some investment in the Town Centre and options to reduce current spending on the Wythenshawe Forum have been rejected.

44. Compliance and enforcement services are being protected. We have listened to how much people want the Council to take action against those who do not respect our city and the local environment. Options for making savings on these services have been rejected.

45. Also rejected are options to reduce front line teams that look after the environment in neighbourhoods and to reduce grounds maintenance.

46. The city's new recycling strategy is working and recycling rates have increased significantly since the recent introduction of service changes.

47. Residents have stated during the consultation that they want to recycle even more. Councillors have therefore decided to put into the proposed budget, efficiency savings from recycling, but this will not impact on the new strategy

which, with the support of all residents, will continue to increase recycling rates.

Children's Services, including Education and Skills

48. These services are responsible for helping children and young people and their families stay safe, healthy and successful. They include:
- Children's Social Care
- Early Years
- Education services including adult education

49. The Council currently spends £102.21 million on these services and employs 1,441 people to deliver them.

50. Of the Budget Options published in October, £6.69m were from Children's Services, Education and Skills. Following the consultation these have been reduced to £1.62m. These proposals also make a provision for efficiencies made within the directorate to be reinvested to continue to support the delivery of better outcomes for Looked After Children.

51. Overall Manchester continues to see significant growth in the population of children and young people as well as an increase in children and young people with additional needs, which has brought both opportunities and challenges, particularly in respect of school place planning and being able to respond to high levels of transience. A key focus for the council over the coming years will therefore be working with schools, academies and the Department for Education to ensure that the schools system in Manchester continues to grow to match the significant increases in the child population of the City.

52. An option to make savings in early years services has been rejected given the strategic priority attached to early intervention and prevention and the feedback from consultation that services for very young children and children's centres should not be reduced. There will however be proposals to make efficiencies by changing how Sure Start and Children's Centres are organised. Early years services, including health visiting will in future be part of the health and social care Locality Plan.

53. The vast majority of funding for schools is not affected by the budget proposals. Some options for efficiency will go forward, for example spending less on security for disused schools by finding different uses for them. The proposed capital programme includes investment to build new schools and expand existing schools. However there are significant changes planned to how schools are funded. Reforms to the Dedicated Schools Grant or DSG, through the move to a national funding formula, are likely to see schools in Manchester see a reduction in their funding from 2018/19. The Council budget consultation will strengthen the response to the national consultation on changes to schools funding.

54. One of the most important priorities for the Council is to improve the quality of services to children and their families who need extra help or protection. Great strides have been taken since a critical Ofsted inspection in 2014. To make sure the improvements do not stall the budget has included significant additional investment in services for Looked After Children. This is supporting continued improvements in practice and support the council in its drive to reduce the historically high demand for children's social care services.

55. Councillors have listened to the consultation feedback that the options that people feel most strongly should not be accepted are those which impact on the vulnerable. An option to change short breaks for disabled children has therefore been rejected.

56. Also in line with consultation feedback is a decision to reject savings to a Youth Trust which is designed to raise young people's skills and aspirations increasing their chances of getting good jobs in the future.

57. The Council will continue to review the arrangements for school crossings and will invest additional resources to make children's journeys to school safer, including introducing more pelican crossings to do so. Where school crossing patrols are still required for safety reasons they will be maintained.

Adult Social Care

58. Adult Services, working closely with Health, provide vital services to support older people and adults with disabilities and mental health problems. They support people with day-to-day help and help them to maintain and improve independence. The Council currently spends £157.69 million on these services and employs 1,440 people to deliver them.

59. Of the Budget Options published by the Council in October, £27m was identified from the integration of Health and Social Care as set out in the Locality Plan (a detailed report on which is included elsewhere on this agenda). The budget proposals now contain £12m savings for Adults Social Care over the three year budget period.

60. Adult Social Care is in crisis throughout most of England and the Government's response as part of the Local Government Settlement has been very disappointing. Despite this there remains a commitment to make rapid strides in integrating health and social care within the City as part of the Greater Manchester Devolution programme. New delivery structures will start to come on stream from the 1st April, 2017 including bringing together the responsibilities for commissioning health and social care and integrating delivery on the ground.

61. However, as things now stand it will not be possible to deliver the objective to create a fiscally sustainable system within the next five years. This is entirely because of the Government's approach to the funding of social care - Manchester will be £1.2m worse off over the next few years as a result of the Governments recent changes to adult social care funding announced as part

of the Finance Settlement. The capability to raise additional Council Tax to fund social care will have little or no impact on the size of the funding gap within Manchester which is expected to rise to £137m by 2020/21 if no action is taken to address it. Only by significant changes in the national funding of social care can this gap be reduced significantly. These changes have to reflect a growing and older population- there are 49,500 people aged 65 plus in Manchester which equates to 9.7% of the total population - a figure which will continue to rise. The current funding arrangements are not sensitive to these needs. The council will continue to campaign nationally for changes to how social care is funded to be implemented as soon as possible.

62. In the meantime the budget proposals will ensure that there is more investment to support services - a total of additional £30m (£18m additional growth after the requirement for savings has been taken into account), will be invested over the next three years to try and keep pace with growing demands. It remains crucial that the council also invests with partners in those services which provide more upstream intervention to reduce, if not prevent, more reactive expensive care either in residential, nursing or acute hospital beds - and generally deflect the need for expensive interventions at several points in someone's life. The emphasis needs to be on self and personalised care maximising the strengths of citizens and their community assets, to enable citizens to take more responsibility and to do more, for themselves. Intervention earlier, particularly for those groups of people who do not meet statutory thresholds but have complex lives and the greater risk of requiring high cost packages of care, will be critical to providing a more sustainable health and social care system.

63. It is in that context that the changes the City Council, working with the full range of NHS partners, are seeking to deliver to unify the health and social care system are more important than ever. It is also why the options for making up to £27m of cuts over the next three years have been rejected. Subject to resource flexibility and the commitment of partners it is also a priority to see additional investment to support the development of new models of care.

64. Capital investment is also important to support the integration of health and social care. There also proposals for capital investment, including for an integrated health and social care hub in Gorton.

Corporate Core

65. The Corporate Core delivers the Council’s support functions but it also provides direct front line services such as Revenues and Benefits, Customer Services and Complaints. The Services included are:

- Revenues and Benefits
- Customer Services
- Finance
- ICT
- People Services

- Legal
- Communications
- Policy and Reform
- Performance, Research and Complaints

66. It also includes the Highways service which employs 196.8 people and spends £11.32 million.

67. The Council currently spends £76.09m on these services and employs 1,908.7 people to deliver them.

68. Of the Budget Options published in October £14.18m were for services within the Corporate Core. These have been reduced to £10.57m. No savings are proposed for Highways.

69. The option to reduce spending on the Council Tax Support Scheme is being taken forward at the lower level of £1m, whereby working aged residents who receive council tax support will have to pay 17.5% rather than 15% of their council tax bill. This recognises the extra burden on some of the poorest residents of the increased Council Tax rise and the additional burdens on other Council Tax payers who would have to pay more Council Tax to replace a specific cut in this scheme – it used to be funded via national taxation but the burden has been shifted to local council tax payers with many low income households having to pay the full level of Council Tax.

70. The Council wants to strike the right balance between, on the one hand supporting people who are struggling to pay their monthly bills, while at the same time doing all it can to support people in crisis in the city. The option to cut the Welfare Support Scheme is not being taken forward and the Council will invest £1m per annum over the next three years, funded from business rates income, to better address homelessness, rough sleeping and begging in the city. In this context the Council's work to equip people with the right skills and to reduce worklessness is more important than ever.

71. Options to improve efficiency, particularly in back office services, have in the main been taken forward. Proposals for efficiencies in the proposed budget in the Corporate Core total £6.5m. This includes proposed efficiencies to all the main support functions of legal, finance, communications, HR/OD, ICT, customer services, and procurement and the strategic functions of policy, performance management, research and intelligence and reform and innovation. The efficiencies in the corporate support services will require investment in new ICT and there are proposals for this in the proposed capital budget.

72. However options for service reductions across all of these support and strategic functions have been rejected because of the need to support the delivery of the Our Manchester Strategy and way of working. The priorities here include protecting policy services because of the need to continue to focus on growing the city's economy and helping to create more and better jobs. Maintaining and developing international links and otherwise responding

to the challenges and uncertainties of Brexit will be another key priority over the coming three years. Proposals to reduce the capacity to support public service reforms and innovation, given the need to create new ways of working, have also been rejected as have proposals to reduce Human Resources/Organisational Development capacity at a time when delivering the new People Strategy is critical to the culture changes Our Manchester will need.

73. Alongside this a significant option to streamline and standardise HR policies and procedures across the Council has been chosen to go forward into the proposed budget. This will require detailed involvement and consultation with staff and Trade Unions.

74. The Corporate Core is also responsible for the Highways. The Council recognises the critical importance of our Highways and transport network both to support the city's continuing economic and residential growth and as a great place to live. For this reason there are no proposals for spending reductions for Highways. Instead, the Council is proposing to invest £100m between now and 2020 to improve all of the city's roads and pavements to bring these to a consistently good standard, and to maintain this good standard in future.

Strategic Development Directorate

75. The Strategic Development Directorate supports the city's growth – securing investment and helping to create jobs. The Directorate also oversees the city's plans for housing and manage the Council's land and assets. The Council currently spends £6.12 million on these services and employs 304.0 people to deliver them. Of the Budget Options published by the Council in October, £0.4m were within Strategic Development. These have now been reduced to £0.35m.

76. An option for efficiencies in the way Council buildings are managed is being taken forward. However an option for a reduction in the staffing of this part of the Council has been revised. This is because of the strategic priorities of investing in growth post Brexit, securing the development of key sites for economic development and ensuring that neighbourhoods have the right mix of housing to attract and retain people with the skills needed by business.

77. The capital budget proposals include investment in housing in North Manchester and the refurbishment of homes to provide more places for the homeless. There are also proposals to invest in the regeneration of the northern and eastern gateways to the city in support of the priority of supporting business and residents to create thriving neighbourhoods.

<u>Conclusion</u>

78. The last few years have been challenging for the Council given the high proportion of cuts which have had to be made to the Council's budget at a time when the demand for services such as Children and Adults Social Care have been rising. This has been exacerbated by the fact the Government's

response to national funding settlements has discriminated against places such as Manchester and the other big cities.

79. Within the resources available to the Council - and ensuring full utilisation of these - proposals have been developed. These respond to the established Our Manchester priorities and the continuous engagement with Manchester residents who have expressed clear views on what they would wish to see prioritised if major cuts are required.

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny Committee – 20 February 2017

Subject: Medium Term Financial Strategy 2016/17 to 2019/20

Report of: Chief Executive and City Treasurer

Purpose of the Report

This report sets out the budget proposals for 2017/18 to 2019/20 based on the outcome of the Provisional Local Government Finance Settlement and the issues which need to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2017/18. This report should be read in conjunction with the Strategic Response Report, the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Schools Budget Report, the Capital Strategy 2017/18 -2021/22 and the Treasury Management Strategy; all contained elsewhere on this agenda. The proposals in this budget form part of the final consultation process which started on 3 January and will continue until 10 February. Responses to the full budget consultation will be included on the Agenda for Resources and Governance Scrutiny Committee on 20 February.

Recommendations

The Executive is requested to:

(i) Note the report and the anticipated financial position for the Authority for the period 2017/18 to 2019/20;
(ii) Note that a summary of the changes from the Medium Term Financial Strategy reported to January Executive will be presented alongside this report on the agenda;
(iii) Note that the financial position has been based on the Provisional Local Government Finance Settlement issued on 15 December 2016;
(iv) Note that there has been a review of how the resources available are utilised to support the financial position to best effect, including use of reserves and dividends, consideration of the updated Council Tax and Business Rates position, the financing of capital investment and the availability and application of grants;
(v) Consider the detailed reports from individual Strategic Directors elsewhere on this agenda (Directorate Reports) and the proposals for service and expenditure changes, in reaching decisions in relation to the final budget for 2017/18 to 2019/20
(vi) Note that formal budget consultation commenced on 3 January and will continue until 10 February.
(vii) Note that the Capital Strategy 2017/18 -2021/22 will be presented alongside this report;

(viii) Note that the full suite of budget reports to Executive in October along with a covering narrative formed the Council's Efficiency Plan and submission to Department for Communities and Local Government (DCLG) for the four-year funding settlement. DCLG have since approved the four year settlement for the City Council.

(ix) Note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves

(x) Make specific recommendations to Council to approve for 2017/18:

a. an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 4.99% (including 3% for adult social care);

b. the contingency sum of £3.3m;

c. the inflationary pressures and budgets to be allocated sum of £11.002m; and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;

d. the pressures and growth bids of £10.365m and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;

e. corporate budget requirements to cover the cost of levies / charges of £69.106m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.336m and insurance costs of £2.004m;

f. the estimated utilisation of £7.104m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and

g. the position on reserves as identified in the report and in Appendix 3 subject to the final call on reserves after any changes are required to account for final levies etc.

(xi) Approve that delegated authority be given to the City Treasurer and Chief Executive to agree the use of the Children and Families Investment Reserve, City Centre Review Reserve and Our Manchester Reserve

(xii) Approve the Directorate cash limits as set out in paragraph 60

(xiii) Approve that delegated authority be given to the City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments.

(xiv) Approve the Prudential Indicators for 2017/18 and the indicative indicators for 2018/19 and 2019/20 as presented in Appendix 2, subject to any final adjustments that may be made arising from the recommendations above and changes to the Capital Programme (reported elsewhere on the agenda).

(xv) Note that there is a requirement on the authority to provide an itemised Council tax bill which, on the face of the bill, informs tax payers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices.

(xvi) Note there is a requirement on the City Treasurer to provide information to the Secretary of State for Communities and Local Government demonstrating that an amount equivalent to the additional council tax has been allocated to the funding of adult social care.

Wards Affected: All

Our Manchester Strategy Outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report looks at the development of a medium term budget strategy for 2017/18 to 2019/20 that will underpin all of the Council's activities
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report
Risk Management – as detailed in the report
Legal Considerations – there are no specific legal considerations contained within the report

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Financial Consequences – Revenue

The report sets out proposals for a revenue budget for the Council for 2017/18 to 2019/20.

Elsewhere on the agenda are five Directorate Reports, the Housing Revenue Account Budget Report, the Dedicated Schools Grant Report, the Capital Strategy Report, the Treasury Management Strategy and a report proposing a strategy for agreeing the 2017/18 budget. These reports together underpin the detailed financial spend of the Council for the coming year and provide a framework for Revenue and Capital planning for 2017/18 to 2019/20.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

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Background documents (available for public inspection):

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

Final Local Government Finance Settlement from the Department for Communities and Local Government (DCLG) 8 February 2016 (all papers available on the DCLG website).

Executive, 27 July 2016, Approach to Budget Setting 2017/18 to 2019/20
Executive 19 October 2016, Medium Term Financial Strategy 2016/17 to 2019/20
Executive 19 October 2016, Budget 2017-2020 Strategic Narrative
Executive 8 January 2017 Medium Term Financial Strategy 2016/17 to 2019/20

Provisional Local Government Finance Settlement from DCLG 15 December 2016 (all papers available on the DCLG website).

Section 1 - Introduction

1. This report sets out the current financial assumptions for the City Council covering the four-year period 2016/17 to 2019/20. This period is also in line with the government's multi-year finance settlement offer following the Council's publication of its efficiency plan and confirmation from DCLG that this has been accepted.

2. The financial considerations contained within this report are based on the Provisional Local Government Finance Settlement issued on 15 December 2016 establishing a medium term financial plan for the remainder of the Spending Review period to 2019/20 inclusive. The final settlement will be issued in February 2017.

Section 2 - Background and Context

3. The Strategic Narrative report, elsewhere on this agenda, provides a high level overview of the progress that Manchester has made in recent years and the opportunities and challenges faced going forward. It sets the budget framework building on the 'Our Manchester' Strategy which focuses on making Manchester a City that is:

   - Thriving – creating great jobs and healthy businesses
   - Filled with talent – both home-grown talent and attracting the best in the world
   - Fair – with equal chances for all to unlock their potential
   - A great place to live – with lots of things to do
   - Buzzing with connections – including world-class transport and broadband

4. Our Manchester is not only the long-term strategy for the City; it is also at the heart of how that strategy is delivered. The Our Manchester approach puts people at the centre so that they shape the way things are done. The principles that underpin the strategy have been developed to fundamentally change the way that services are delivered across the City and a shift in the relationship between the Council and the people of Manchester. This will set the framework for the Council's planning process for the future and how it will continue to work with residents, stakeholders and partners.

5. To deliver the changed relationships, alongside the ambition for the City, will require a different approach, including how decisions about the planning and allocation of resources are made. Consequently, the budget process for 2017/18-2019/20 has been designed differently to ensure that all stakeholders – residents, businesses, visitors, partners and staff – have the opportunity to tell the Council about what their priorities are for the City and what they think about the budget proposals before the budget is set.

6. The report includes the impact of the Greater Manchester (GM) 100% business rates retention pilot, which was confirmed in the Provisional Finance

Settlement. One of the guiding principles of the City Council's participation is that there will be no detriment to resources when compared to the current business rates scheme. Therefore, whilst there may be benefits arising from the pilot, they cannot be quantified at this stage and the impact on the budget is assumed to be cost neutral.

7. The structure of the report is as follows:

- Section 1: Introduction
- Section 2: Background and Context
- Section 3: Financial Context
- Section 4: Updated Savings Proposals
- Section 5: Overall Financial Position
- Section 6: Updated Financial Reserves
- Section 7: Updated Workforce Issues
- Section 8: Capital Investment Strategy
- Section 9: Consultation
- Section 10: Legal Issues
- Section 11: Reasonableness of the Estimates
- Section 12: Robustness of the Estimates
- Section 13: Risks and Mitigation
- Section 14: Budget Scrutiny
- Section 15: Conclusion

Section 3 - Financial Context

8. The Government offered any council that wished to take it up, a four-year funding settlement to 2019/20, making a commitment to provide minimum allocations for each year of the Spending Review period. This was subject to councils choosing to accept the offer and publishing an efficiency plan by 14 October 2016, which the City Council complied with. The sums currently included in the multi-year settlement offer that apply to Manchester are the Revenue Support Grant (RSG) and Business Rates - tariff and top up payments.

9. The medium term financial strategy, as part of the full suite of budget reports, formed the Council's efficiency plan submission and DCLG have since approved a four year settlement for Manchester. The budget for 2016/17 has previously been approved by Council and a report to Executive in October highlighted a potential budget gap ranging from £40m to £75m for the remaining three-year period 2017/18 to 2019/20. The need for such a range in the assessment of the funding gap was due to uncertainty around elements of available resources and the need to address pressures and priorities. Officers have worked to develop options to close the budget gap.

10. The budget position has since been refined and a budget gap of £31.8m is now forecast by the end of the three year period to 2019/20.

11. There has been a full review of how the resources available are utilised to support the financial position to best effect. The growth in the City is starting to generate additional revenue. This includes £8.374m additional Airport dividend announced in August and November of this year, which will be used to support the revenue budget, alongside the decision to utilise £6.76m of the Airport dividend that is currently used to support capital investment being redirected to support the revenue budget. More volatile one off income - such as collection fund surpluses - will be used to support investment in its place. The policy on the amount of funding the council has to set aside to repay debt will be revised releasing £5m in 2017/18 and 2018/19 reducing to £4.5m in 2019/20 to support the revenue budget. Finally, commercial income, including from an increase in business rates activity is likely to continue to grow and this has been factored into the budget.

12. In addition it is forecast there will be ongoing additional commercial income generated from business rates activity in the City (including growth in the business rates base and other sources of commercial income etc) which can be utilised to support the position going forward.

13. This current forecast position assumes the full year effect (FYE) of savings agreed for 2016/17 are delivered and these are included within the figures below. The total additional FYE savings included for 2017/18 are £3.326m with a further £1.864m in 2018/19. Details of these can be found in the accompanying Directorate Budget Reports elsewhere on this agenda. The overall financial position is summarised in the table below and the assumptions are set out in the paragraphs which follow. This reflects the Council's participation in the 100% business rates retention pilot that is detailed in the paragraphs following the table.

Table 1: Resources Requirements against Resources Available 2016/17 to 2019/20

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Resources Available				
Revenue Support Grant	113,768	0	0	0
Business Rates income	156,030	309,747	319,711	331,086
Business Rates Top Up	7,575	600	(21,738)	(44,977)
Public Health Funding	54,596	0	0	0
Baseline Funding Level	331,969	310,347	297,973	286,109
(Reduced) / Additional Business Rates Income	(4,643)	(11,952)	(5,189)	(3,154)
Business Rates Grants	6,609	19,160	19,778	20,463
Council Tax	136,617	143,507	150,272	157,140
Other non-ringfenced Grants	23,532	22,960	27,780	37,157
Dividends and Use of Reserves	31,337	44,471	44,471	44,471
Use of Other Reserves	3,095	1,548	1,313	0

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Total Resources Available	**528,516**	**530,041**	**536,398**	**542,186**
Resources Required				
Corporate Costs:				
Levies/Charges	68,222	70,406	74,054	75,044
Contingency	1,400	2,400	2,400	2,400
Capital Financing	44,067	44,582	44,882	45,082
Transfer to Reserves	7,915	7,400	3,050	3,409
Sub Total Corporate Costs	*121,604*	*124,788*	*124,386*	*125,935*
Directorate Costs:				
Additional Allowances and other pension costs	10,736	10,336	10,236	10,236
Insurance Costs	2,004	2,004	2,004	2,004
Directorate Budgets	384,623	380,200	377,706	377,706
Directorate Costs not yet allocated to budgets	9,549	5,849	5,849	5,849
Unfunded pressures and growth items	0	10,365	18,315	21,374
Inflationary Pressures and budgets to be allocated	0	11,002	20,989	30,839
Total Directorate Costs	*406,912*	*419,756*	*435,099*	*448,008*
Total Resources Required	**528,516**	**544,544**	**559,485**	**573,943**
Budget Gap	**0**	**14,503**	**23,087**	**31,757**
In Year Savings required	**0**	**14,503**	**8,584**	**8,670**

Resources Available

14. In the 2015 spending review and autumn statement the government announced plans to phase out Revenue Support Grant and pave the way for the implementation of 100% business rates retention by the end of the Parliament.

15. In the 2016 budget the government committed to piloting approaches to 100% business rates retention in Greater Manchester, Liverpool and London with some elements commencing from 2017/18.

16. It has now been confirmed the pilot will be in effect from 1 April 2017 in GM, Liverpool City Region, West Midlands, West of England, Cornwall and the Greater London Authority.

17. Since the announcement DCLG has engaged with pilot areas to reach agreements on the arrangements for implementation from 1 April 2017. A key

objective for GM has been to explore how headroom can be created for local investment that promotes growth/increases productivity/reduces costs elsewhere at place level. Discussions on how this might be achieved are still ongoing with DCLG.

18. With the move to 100% business rates retention, pilot authorities will potentially be taking on a greater degree of risk, therefore it has been agreed that pilots would operate on a no detriment basis i.e. the pilot is to be without detriment to resources that would have been available to individual authorities under the current local government finance regime.

19. The 2017/18 draft Local Finance Settlement confirmed that Greater Manchester pilot authorities will retain 100% of locally raised business rates (with 1% transferred to GM Fire and Rescue Authority) but in return will forego Revenue Support Grant (RSG) and Public Health Grant, individual authority tariff and top ups will be adjusted to ensure fiscal neutrality. As part of the pilot the Public Health grant has been rolled into business rates income and the ringfence removed. Section 31 grants will be paid locally at 100%. In addition, to test potential elements of the 100% rates retention scheme, the safety net threshold will be revised from 92.5% to 97%. The Transport Grant has also been included in the pilot, at Greater Manchester level.

20. Table 1 above reflects these changes from 2017/18.

21. RSG has been removed from 2017/18 onwards and the Top Up / Tariff figures are as per those provided per DCLG as part of the 100% retention pilot discussions.

22. For information the Baseline Funding Level for years 2016/17 to 2019/20 are shown in the table below:

Table 2: Baseline Funding Level

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Notional Revenue Support Grant	113,768	90,152	73,740	57,041
Business Rates Baseline at 49%	156,030	153,309	158,240	163,872
Top Up at 49%	7,575	13,636	14,074	14,575
Notional Public Health Grant	54,596	53,250	51,919	50,621
Baseline Funding Level	**331,969**	**310,347**	**297,973**	**286,109**

Business Rates

23. As authorities within Greater Manchester will take part in the pilot of 100% retention of business rates from 2017/18 the figures in Table 1 include 99% of estimated business rates with 1% being transferred to the GM Fire and Rescue Authority.

24. A new business rates revaluation list is in effect from 1 April 2017. When compared to the previous list this showed an overall increase of 7.4%, within

this were significant increases and decreases for different types of property. The new list is expected to generate a significant number of appeals. The impact of this plus the new appeals system which is being introduced (Check, challenge, appeal) means that it is very difficult to predict the level of successful appeals and therefore the business rates income remains volatile.

25. The numbers included in the table above take account of the new rating list and the new business rate multiplier.

26. It is assumed the changes to business rates reliefs will be cost neutral as they will be fully compensated through Section 31[1] grant.

27. Finally, the position also includes an allowance for additional growth in the business rates base in 2018/20. Despite the inherent volatility with the expected volume of appeals following the revaluation it is still anticipated that there will be some growth in business rates income.

28. **Business Rates Grants -** The Government has committed to reimbursing Local Authorities for the income foregone as a result of the Chancellor's Budget 2016 announcements. This will be in the form of Section 31 grants relating to:

- Small Business Rates Relief (SBRR) permanently doubling from 50% to 100% and extension from £6k to £12k of exemption;
- An increase in threshold for standard business rates multiplier from £18,000 to £51,000

29. Business Rates grants of £19.2m are forecast for 2017/18. Additional grants will also be paid to compensate for the increase in the small business rates multiplier threshold. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by government in relation to the cap on the increases to business rates in 2014/15 and 2015/16 and the extending of the 100% Small Business Rates Relief. All grants have been increased from 49% to 99% to reflect Manchester's increased business rates share as a result of being part of the 100% rates retention pilot. In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones, is reimbursed to the Council.

30. The table below shows the forecast business rates grants, including those relating to the changes above:

Table 3: Forecast Business Rates Grants 2016/17 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Business Rates Grants:				
Business rates cap 2015/16	2,212	4,829	4,985	5,146
Small Business Rates Relief	2,777	5,570	5,751	5,956
Long term empty property relief	87	120	123	128

[1] Grants paid under Section 31 of the Local Government Act 2013.

Adjustment to Top up in relation to multiplier cap	0	219	226	234
S31 Grant enhanced Small Business Rates Relief	0	6,022	6,215	6,437
Increase Small Multiplier threshold	0	1,538	1,588	1,644
Enterprise Zone discounts	1,533	862	890	918
Total Business Rates Grants	**6,609**	**19,160**	**19,778**	**20,463**

31. **Council Tax** – There have been various changes which are broken down in the table below. These are:

- Referendum criteria - government policy intention at the time of the 2016/17 settlement was that the general rate increase was 2% a year and the social care precept would be 2% a year each of the three years. The provisional settlement for 2017/18 has introduced the flexibility to bring in the council tax increase for social care sooner. In recognition of the pressures on social care there will be freedom to increase by up to 3% in 2017/18 and 2018/19 however the increases still cannot exceed 6% in total over the three year period. The Council's budget assumes this is taken up.
- The assumption for the Council Tax collection rate is 96.5% for all years from 2017/18, an improvement of 1% from 2016/17.
- The base is assumed to increase by 3% in 2017/18 and 2.5% in 2018/19 and 2019/20 which is in line with expected residential completions per Manchester's draft Strategic Housing Land Availability Assessment. Note the 2017/18 increase includes the impact of changes to the Council Tax Support Scheme.

32. The impact on these changes on the 2017/18 position is:

- General precept rate increase of 1.99% raises £2.664m
- Adult Social Care increase of £3% raises £4.017m
- Improved Council Tax Collection rate by 1% £1.208m
- Increase to the base used for budget setting £3.984m

33**.** **Public Health Grant** is no longer included as it has been foregone as part of the 100% rates retention pilot. It was confirmed that the grant ring fence will also be removed.

34. The table below lists the **other non-ringfenced grants** expected.

Table 4: Other Non-Ringfenced Grants 2016/17 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Better Care Fund (Improved)	0	3,266	14,762	24,374
New Homes Bonus	13,128	9,587	7,329	7,032
New Homes Bonus Adjustment Grant	373	402	0	0
Adult Social Care Support Grant	0	2,678	0	0
Education Services Grant	5,000	2,598	1,260	1,322
Housing Benefit Admin Subsidy	3,359	3,000	3,000	3,000

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Universal Credit Funding	0	314	314	314
Council Tax Support Admin Subsidy	953	953	953	953
Special Educational Needs and Disability Implementation	383	0	0	0
Council Tax New Burdens Funding	174	0	0	0
Care Act Grants	162	162	162	162
Total Non-Ringfenced Grants	**23,532**	**22,960**	**27,780**	**37,157**

35. Issues around the most significant movements are as follows:

- **Improved Better Care Fund -** Indicative allocations were provided as part of the settlement for local government Better Care Fund starting in 2017/18 and totalling £1.5bn nationally by 2019/20. £800m will be funded from savings in the New Homes Bonus scheme (see below). The allocation methodology takes account of amounts raised through the social care precept element of the council tax increase. The funding will be directly allocated to local authorities to fund social care. The likely pressures from Adult Social Care budgets are shown separately in this report. The amounts above have been confirmed in the provisional settlement.

- **New Homes Bonus -** The previous assumption was that the New Homes Bonus (NHB) scheme would continue indefinitely but with changes expected from 2018/19 reflecting the government's stated intention to move from paying for six years of legacy payments to four and saving at least £800m nationally. On this basis the Councils budget assumption was for a grant receipt of £13.1m in 2017/18 reducing to £8.6m in 2018/19. The provisional settlement gives an estimated 2017/18 receipt for Manchester of £9.989m (including £402k adjustment grant) reducing to £7.329m in 2018/19 then £7.032m in 2019/20. The reduction is partly because the changes have been brought forward a year and the government is now proposing to reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017/18 and then to four years from 2018/19. They are also introducing a baseline for housing growth at 0.4% below which NHB is not received. The national savings of £240m from these changes will be used to fund the new Adult Social Care Support Grant in 2017/18.

- **Adult Social Care Support Grant** was introduced in the provisional 2017/18 settlement. Its stated aim is to bring forward support for adults social care pressures. The total is £240m nationally of which £2.678m has been allocated to Manchester. This is a one off grant in 2017/18. The distribution is in proportion to the Adult Social Care relative needs formula and does not take account of the authorities ability to raise funds through the council tax precept (in the way Better Care Fund does) This has the impact of redistributing resources across the country when the reduction in NHB and the new Adult Social care grant are considered together which was included in the Council's consultation response. Taking the two grants together Manchester is £0.9m worse off in 2017/18.

- **Education Services Grant -** This has reduced from £5m in 2016/17 to £2.6m in 2017/18 and c£1.3m from 2018/19 onwards and is likely to be transferred to Dedicated Schools Grant from April 2017. Local Authorities will be able to retain funding from DSG to fund statutory duties. The impact on the Council's budget is:

  - The retained rate of £15 per pupil will be received indefinitely (via DSG). Assuming growth in pupil numbers in line with the School Capacity (SCAP) pupil forecast 2015 this provides income of £1.196m in 2017/18 increasing to £1.322m by 2019/20.

  - The general rate will be received for five months in 2017/18, Government have indicated the rate will be reduced to £20 per pupil (from £77). This would equate to £1.402m in 2017/18. There is no general rate assumed after August 2017.

  - Savings of £1m have been identified in Children's Services to contribute to the reduction.

36. **Dividend Income** has increased.

37. Historically £8.150m of airport dividend received in year was used to support the Revenue budget and £6.760m to support the Capital Fund.
    - From 2015/16 it was agreed that the additional dividends received should be used in the Revenue budget, this was £20.787m taking the total supporting the revenue budget to £28.937m.
    - For 2017/18 the total dividend supporting the revenue budget will be £44.071m. This includes the additional £8.374m airport dividend announced in August and November of this year and £6.76m of the Airport dividend previously used to support the capital fund now used to support the revenue budget.
    - Generally such increases are placed in a reserve and used a year in arrears in recognition that this is not a guaranteed income stream and the dividend may reduce or increase in future years.
    - There is also £400k expected for other dividends (NCP and Piccadilly Triangle).

38. **Use of other reserves to support the revenue budget** is £2.509m in 2017/18 of which £2m forms part of the planned use of reserves set out in the 2016/17 budget strategy to support the budget position and £0.509m is use of the general fund reserve. £3.493m of the capital fund is used in 2018/19.

Resources Required

39. This section of the report sets out the estimated budget requirement taking into account the best information available at this stage.

Corporate Items
Levy Payments

40. The table below sets out the forecast **levy payments**.

Table 5: Levy Payments 2016/17 to 2019/20

	2016 / 17 £'000	**2017 / 18 £'000**	**2018 / 19 £'000**	**2019 / 20 £'000**
Transport Levy	36,039	19,985	37,643	37,743
GM Waste Disposal Authority*	32,495	49,433	35,173	31,913
Environment Agency	196	196	196	196
Probation (Residual Debt)	22	22	22	22
Magistrates Court (Residual Debt)	9	9	9	9
Port Health Authority	71	71	71	71
Total Levies	68,832	69,716	73,114	69,954
Use of Parking Reserve	(610)	(610)	(610)	(610)
Net Cost of Levies	68,222	69,106	72,504	69,344

* Although included within the table of levies / charges above, the Waste Levy is administered by Growth and Neighbourhoods and will be included within their published budget. This is to recognise that the actions within the directorate to reduce the levels of waste delivered to the WDA impact on future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

41. The significant expected changes are:

- The Waste Levy assumptions have been updated based on the most up to date tonnages and an average 5% increase for the districts. Due to the changes the council has implemented to improve recycling rates it is estimated that the levy for 2017/18 would have been in the region of £32.506m after the £1.3m savings are applied. In order to facilitate changes in the waste contract it is proposed that the WDA increases revenue spend by £77.1m. In order to assist districts in meeting this cost the Transport Levy will be reduced on a one-off basis to give the necessary financial capacity. The amount for Manchester is £16.927m (increasing the share of the Waste Levy to £49.433m) with a corresponding reduction in the Transport Levy. The final charge will depend not just on Manchester's performance against its waste targets but also on how all the other districts within the scheme perform. An additional contingency sum of £1m has been included within the Council's corporate contingency to cover any potential increased charge.

- Transport Levy assumptions take account of the proposal for no increases in the overall levy over the three years. This is based on deferral of the increase in the GM transport fund which is subject to formal agreement by the Combined Authority. In 2016/17 the levy was reduced by £1.105m and District requirements increased by the same amount to fund Manchester's contribution to the additional cost of the Business Growth Hub, in 2017/18 the equivalent figure is £0.630m. The change in Manchester's population in comparison to Greater Manchester as a whole has been taken into account in these figures.

As explained above the Transport Levy figure includes a one off reduction of £16.927m to facilitate the increase to the Waste Levy.

42. The required contingency amount includes:
- Additional c£1m in relation to risks around waste
- £0.2m to support more Council staff to have access to the intranet; and
- £0.6m as an unallocated contingency to meet future unforeseen expenses.

Capital financing budget

43. **The capital financing budget** supports the costs of borrowing and the budget was £51.982m. The policy on the amount of funding the Council has to set aside to repay debt has been revised to reduce the amount set aside for debt funded by supported credit approvals from 4% to 2%. This was approved by Council in January 2017. It will release £7.9m in 2016/17, tapering down to £6.9m in 2019/20. The money released in 2016/17 will be utilised to fund the revenue costs of the Town Hall project. £5m thereafter will be used to support the revenue budget with the balance supporting the Town Hall, reducing to £4.5m in 2019/20.The savings and use over the budget period are shown in the table below:

Table 6: Minimum Revenue Provision Saving

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
MRP Saving	7,915	7,400	7,100	6,900
Proposed Use:				
support for the general budget	0	5,000	5,000	4,500
Transfer to Town Hall Revenue Reserve	7,915	2,400	2,100	2,400

Directorate budgets

44. Changes reflected within the **directorate budgets** include a £4.423m reduction in 2017/18, £2.494m in 2018/19 in relation to the following:

Table 7: Adjustment to Directorate budgets

	2017 / 18 £'000	2018 / 19 £'000
Full Year Impact of 2016/17 Savings	(3,326)	(1,864)
New Savings proposals		
Children and Families -Special Educational Needs Grant	(383)	0
Growth and Neighbourhoods - smoothing GLL Leisure contract over 2014/15 to 2017/18	(239)	0
Core - adjustments to contribution to the business growth hub	(475)	(630)
Total adjustments	**(4,423)**	**(2,494)**

* Note budgets will be further reduced to reflect the impact of the new savings proposals as outlined later in the report

45. **Additional allowances for former staff and teachers' pension costs** total £10.736m in 2016/17 (teachers £5.508m and non-teachers £5.228m) relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time so this cost will reduce over time. The budget has been reduced by £400k in 201718 and £100k in 2018/19.

46. **Insurance costs** of £2.004m relate to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

47. **Unfunded pressures and growth items** total £10.365m in 2017/18, £18.315m in 2018/19 and £21.374m in 2019/20 as set out in the table below. The following paragraphs provide more detail. The amounts for 2018/19 and 2019/20 will be subject to review based on financial performance in 2017/18.

48. It is proposed that the approval process for allocation of budget pressures and inflationary pressures is in line with last year, as outlined below.
    - Pressures that can be signed off before the beginning of the Financial Year (Pressures) such as correction of historic issues, unachievable savings and unachievable income targets and new service improvements – it is proposed that decisions on these pressures are delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources. The outcomes will be included in the first Global Monitoring report for 2017/18.
    - Activity related pressures (Activity) which need to be drawn down once there is evidence that the funding is required such as inflation, or demography for example – the parameters for the use of the funding will be agreed prior to the start of the financial year and reporting back against those parameters will be via the Revenue Gateway Board. The Revenue Gateway Board will provide scrutiny of the arrangements and make recommendations to the City Treasurer and Executive Member for Finance and Human Resources with the relevant Executive member also consulted for the drawdown of the funding.
    - Pay and pensions (Pay) - It is proposed these are allocated once the various increases have been confirmed (e.g. pay award) based on the budgeted workforce by service at that point. These decisions are proposed to be delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources and included in the first Global Monitoring report for 2017/18.
    - Growth items (Growth) – these will be allocated on the assessment of individual business cases approved by the relevant Executive Member, Executive Member for Finance and Human Resources and the City Treasurer.

49. The pressures have been categorised accordingly.

Table 8: Unfunded pressures and growth items

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
Adult Social Care			
Pressures on Social Care budgets:			
- Base Correction (Pressure)	2,190	2,190	2,190
- Additional Pressures (Activity)	3,995	6,580	9,165
Total Adult Social Care	**6,185**	**8,770**	**11,355**
Children and Families:			
Children's Services Budget Pressures (Pressure)	0	950	1,009
Loss of DSG Flexibility (Pressure)	500	4,500	4,500
Children's demographic pressures (Activity)	415	830	1,245
Education and Skills capacity (Pressure)	(200)	(200)	(200)
Total Children's	**715**	**6,080**	**6,554**
Growth and Neighbourhoods:			
Fly Tipping Teams (Growth)	200	200	200
Total Growth and Neighbourhoods	**200**	**200**	**200**
Strategic Development:			
Business Rates Revaluation (Pressure)	190	190	190
Total Strategic Development	**190**	**190**	**190**
Corporate Core:			
Highways- Street lighting (Pressure)	400	400	400
Commissioning Team (Pressure)	400	400	400
Highways investment in infrastructure (Pressure)	2,000	2,000	2,000
Highways Bridges backlog of inspections (Pressure)	275	275	275
Total Core	**3,075**	**3,075**	**3,075**
Total Pressures and Growth	**10,365**	**18,315**	**21,374**
Year on Year Increase	0	7,950	3,059

50. **Pressures on Social Care budgets -** It is well documented that Social care budgets nationally are under extreme pressure which is expected to continue due to reducing resources alongside increasing demands arising from demographic and market pressures. Within Manchester these pressures are being acutely felt and budgets have been reviewed in detail taking account of the 2016/17 case numbers and associated costs.

51. There are significant pressures due to the full year effect of demand in 2015/16 that occurred after the budget was set, the underestimation of the complexity of need for new placements for people with learning disabilities and increased demand within 2016/17, which has increased further since the summer. In order to fund the very significant pressures facing Adult Social Care the following additional resources have been identified and included with the budget proposals.
    - Investment – to redirect £2.5m from the investment funding previously built into Adults social care budget in 2016/17;

- An expectation overall locality resources (detailed in the Locality Plan finance report) will release £4.7m to support Adult Social Care;
- Resources identified as part of the City Centre review to support homelessness and rough sleeping in the City Centre, of which £0.5m will offset the projected pressures; and
- A range of measures identified in the agreed 2016/17 recovery plan (£0.853m).

52. The table below shows the impact of the above, full details are provided in the Adult Social Care report elsewhere on the agenda.

Table 9: Social Care Pressures

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
Pressures:			
Mental Health	2,907	3,726	4,545
Homelessness	1,750	2,000	2,250
Learning Disability	6,775	8,360	9,945
Homecare	3,282	3,282	3,282
Sub-total	**14,714**	**17,368**	**20,022**
Resources Identified:			
Investment Funding	(2,500)	(2,500)	(2,500)
Homelessness: City Review	(500)	(500)	(500)
2016/17 Recovery Plan	(853)	(853)	(853)
Locality Plan Resources	(4,676)	(4,745)	(4,814)
Sub-total	**(8,529)**	**(8,598)**	**(8,667)**
Total Net Pressures	**6,185**	**8,770**	**11,355**
Categorised Over:			
Base Correction (Pressure)	2,190	2,190	2,190
Additional Pressures (Activity)	3,995	6,580	9,165

53. **Children's Services budget pressures** – (Pressure) **-** The service are still on target to reduce Looked After Children (LAC) numbers by 2019/20, however this will take longer to achieve than originally planned as both the level of need and the complexity of existing placements have been underestimated. As a result there are some additional budget pressures and it will not be possible to release the savings from the LAC investment model in the time period originally envisaged.

54. The savings in the schedule of £0.886m for next year rising to £2.898m by 2019/20 still need to be delivered but will meet the costs within the Children and Families service rather than contributing to the council’s bottom line. In addition a further £1.009m has been allowed as a budget pressure.

55. **Dedicated Schools Grant (DSG)** (Pressure) On 21 June 2016 the Education Secretary announced that the implementation of the proposed changes to DSG will be deferred until 2018/19 and that in 2017/18 no local authority will see a reduction from their 2016/17 level of funding. The government’s proposals for the national funding formula were released on 15 December.

56. Council spending plans supported by the centrally retained DSG total c£9m. The draft budget includes a pressure of £4m from 2018/19 relating to two key risks from 2018/19 as follows:

57. DSG reforms in relation to the high needs block – this may constrain the City Councils ability to continue with the same level of support from 2018/19 onwards. £4.5m has been set aside as mitigation against the potential loss of flexibility in this area.

58. Changes to the Early Years Block – there is threshold applied to the amount that can be held back centrally of 7% in 2017/18 and 5% thereafter. The impact on Manchester is a reduction of £500k on the amount which can be held back. It is expected this can be met from DSG in 2017/18, in advance of the expected reduced flexibilities from 2018/19 £500k will be invested in the LAC reserve.

59. The remaining budget pressures relate to:
- Children's demographic pressures of £415k increasing to £1.245m relating to Free travel and Special Educational Needs transport (Activity);
- £200k for fly tipping teams linked to the service change for waste and recycling (Growth);
- Business Rates Revaluation to be implemented April 2017 will result in an increase or decrease in business rates bill for council properties relative to the change in Rateable Value, estimated impact £190k (Pressure);
- £400k additional costs relating to street lighting (Pressure);
- £400k for the commissioning Team, linked to the achievement of a £0.750m savings target (Pressure);
- Investment in Highways infrastructure £2m (Pressure);
- Highways bridges inspections £275k (Pressure);
- Offset by £200k reduction in Education and Skills capacity pressure (£430k was added in 2016/17 which reduces to £230k in 2017/18).

60. Officers are currently working through the capacity required to strengthen and support information security, data sharing and data protection arrangements, including requirements being introduced through the General Data Protection Regulations. This may require a small call on reserves next year and capacity has been allowed for this in the general fund reserve. A report will be bought forward in due course.

61. **Inflationary Pressures and budgets to be allocated** total £11.002m in 2017/18 increasing to £30.839m by 2019/20. Table 10 below shows the detail:

Table 10: Inflationary Pressures and Budgets to be Allocated

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Non Pay Inflation	3,048	6,127	9,236
Pay Inflation at 1%	2,300	4,300	6,300
Employee Costs of Minimum Wage	496	1,146	1,921
Contract Costs of Minimum Wage	4,258	8,516	12,774
Apprenticeship Levy 0.5%	900	900	900
Carbon Reduction Tax	0	0	(292)
Total	**11,002**	**20,989**	**30,839**
Year on Year Impact		**9,987**	**9,850**

62. The main assumptions are as follows:
- Non Pay inflation at 1% of net running costs each year totalling £3.048m in 2017/18 increasing to £9.236m by 2019/20. Note 2016/17 CPI is 1%, forecast to increase to 2.4% in 2017/18, 2.6% in 2018/19 and 2.1% in 2019/20 (Activity);
- Cumulative pay inflation £2.3m in 2017/18 based on an assumed pay award of 1% above SCP 17 and higher increases below that grade. Future year increases are included at £2m per annum; (Pay);
- Manchester Minimum Wage costs are expected to cost an additional £496k in 2017/18 rising to £1.921m by 2019/20 based on forecast increases in the rate (Pay);
- Increased commissioning costs predominately within Children and Families relating to the impact of the increase to minimum wage, increases of £4.258m a year (Activity);
- £0.9m for the apprentice levy from 2017/18, this is based on 1% of the applicable pay budget (Pay);
- The Carbon Reduction Commitment (CRC) tax currently costs £0.660m a year which is built into the 2016/17 base budget. From 2019/20 this will be abolished and the Climate Change Levy (CCL) rates will be increased. This has led to the removal of the £0.660m budget held for CRC charges and inclusion of a £368k budget for increased CCL costs, a net saving of £292k (Pressure)

63. Of the amounts above £2.52m increasing to £6.49m of the Pay and price increase and £4.26m increasing to £12.77m for contract costs of minimum wage have been earmarked against the contribution to the pooled budget, as set out in the Adults directorate report and the Locality Plan report elsewhere on the agenda.

Section 4 - Updated Savings Proposals

64. The schedules detailing the savings proposals that have been put forward by each Directorate are contained within the Directorate reports elsewhere on the agenda. These outline £31.757m of proposals which are shown in

the table below and are in addition to the £5.2m full year effect of 2016/17 savings already included in the base budget position.

Table 11: Savings Options

	2017/18	2018/19	2019/20	FTE Impact (Indicative)
	£,000	£,000	£,000	
Adults	5,000	8,000	12,000	0
Children's	1,221	1,441	1,621	19
Corporate Core	5,481	8,406	10,566	54
Growth and Neighbourhoods	1,490	2,710	7,220	3
Strategic Development	350	350	350	1
Total Savings identified in latest schedules	**13,542**	**20,907**	**31,757**	**77**

65. The Adults savings are to be met by a reduction to the Health and Social Care pooled budget through a strong focus, through the Transformation Fund work, on delivering the transformation that will deliver more sustainable health and social care models.

66. In addition there are significant pressures on Adult Social care, over and above those which have been built into the budget. These total £4.68m for 2017/18 rising to £4.82m by 2018/19. These additional pressures are also to be met from within the Locality Plan resources. The net impact on the Locality Plan is that savings of £9.68m will be required next year (to cover the savings target and pressures) rising to £16.82m by 2019/20.

67. Taking account of this and the inflationary resources as outlined earlier in the report the proposed level of funding is set out in the table below.

Table 12: Contribution to the Pooled Budget

	2017/18	2018/19	2019/20
	£,000	£,000	£,000
Base Budget	157,690	156,630	154,810
Apportionment of pay and non-pay inflation	2,520	4,500	6,490
National Living Wage costs for commissioned services	4,260	8,520	12,770
Budgeted Demographic Pressures	5,580	8,160	10,750
Additional Demographic Pressures	4,680	4,750	4,820
Total Demographic pressures	10,260	12,910	15,570
Sub Total Additional Funding	**17,040**	**25,930**	**34,830**
Sub Total	**174,730**	**182,560**	**189,640**
Savings Target	(5,000)	(8,000)	(12,000)
Pressures Met from Locality Resources	(4,680)	(4,750)	(4,820)
Sub Total Savings	(9,680)	(12,750)	(16,820)
Total	165,050	169,810	172,820
Net Increase	**7,360**	**13,180**	**18,010**
Year on Year		*5,820*	*4,830*

68. The Children's savings to support the budget gap are net of £2.9m savings which will be retained by the directorate to reinvest in the Looked After Children's Model.

69. The cash limit budget for approval are set out in the table below, further detail is contained within the Directorate Reports. The figures in the table do not include the waste levy of £32.495m in 2016/17, £49.433m in 2017/18, £35.173m in 218/19 and £31.913m in 2019/20 which will be added to Growth and Neighbourhoods cash limit for the final budget.

Table 13: Cash Limit budgets

	2016/17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 /20 £'000
Children's	102,593	100,516	100,296	100,116
Adults	158,666	152,601	147,787	143,787
Corporate Core	76,045	72,363	68,788	66,628
Growth & Neighbourhoods	41,399	40,341	39,341	38,981
Strategic Development	5,920	5,137	5,137	5,137
Total	**384,623**	**370,958**	**361,349**	**354,649**

Section 5 - Overall Financial Position

70. The revised overall position would then be a three year balanced budget as per the table below.

Table 14: Summary of Resources Available and Budget Requirement for 2016/17 to 2019/20

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Resources Available				
Revenue Support Grant	113,768	0	0	0
Business Rates Baseline	156,030	309,747	319,711	331,086
Business Rates Top Up	7,575	600	(21,738)	(44,977)
Public Health Funding	54,596	0	0	0
Baseline Funding Level	*331,969*	*310,347*	*297,973*	*286,109*
(Reduced) / Additional Business Rates Income	(4,643)	(11,952)	(5,189)	(3,154)
Business Rates Grants	6,609	19,160	19,778	20,463
Council Tax	136,617	146,507	153,272	160,140
Other non-ringfenced Grants	23,532	22,960	27,780	37,157
Dividends and Use of Reserves	31,337	44,471	44,471	44,471
Use of Other Reserves	3,095	2,509	3,493	0
Total Resources Available	**528,516**	**534,002**	**541,578**	**545,186**

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Resources Required				
Corporate Costs:				
Levies/Charges	68,222	69,106	72,504	69,344
Contingency	1,400	2,400	2,400	2,400
Capital Financing	44,067	44,582	44,882	45,082
Transfer to Reserves	7,915	7,400	3,050	3,409
Sub Total Corporate Costs	*121,604*	*123,488*	*122,836*	*120,235*
Directorate Costs:				
Additional Allowances and other pension costs	10,736	10,336	10,236	10,236
Insurance Costs	2,004	2,004	2,004	2,004
Directorate Budgets	384,623	370,958	361,349	354,649
Directorate Costs not yet allocated to budgets	9,549	5,849	5,849	5,849
Unfunded pressures and growth items	0	10,365	18,315	21,374
Inflationary Pressures and budgets to be allocated	0	11,002	20,989	30,839
Total Directorate Costs	*406,912*	*410,514*	*418,742*	*424,951*
Total Resources Required	**528,516**	**534,002**	**541,578**	**545,186**
Total	**0**	**0**	**0**	**0**

Section 6 - Financial Reserves

71. The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held has been carried out as part of the budget setting process.

72. The reserves include:
- 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 offset risk and manage volatility – such as the Insurance Fund Reserve, and reserves to smooth volatility in for example adult social care placements due to winter pressures
- Schools reserves – schools funding which the council cannot utilise
- Reserves held to support capital schemes
- Reserves to support economic growth and public sector reform
- Grants and contributions which fall across more than one year – under accountancy standards these are held in a reserve

73. The table below shows an analysis of the planned use of reserves in 2016/17 to 2019/20 to support revenue expenditure.

Table 15: Use of reserves to support the budget

	2016 / 17 £'000	2017 / 18 £'000	2018 /19 £'000	2019 / 20 £'000
Statutory Reserves:				
Bus Lane and Parking reserves	8,074	7,104	7,104	7,104
Other Statutory Reserves	109	219	90	90
Balances Held for PFI's:				
Street Lighting Private Finance Initiative	413	181	0	0
Small Specific Reserves:	51	196	51	51
Reserves held to smooth risk / assurance:				
Airport Dividend Reserve	22,787	29,161	29,161	29,161
Adult Social Care	0	2,000	0	0
Other Reserves held to smooth risk / assurance	3,188	979	550	550
Reserves held to support capital schemes:				
Capital Fund	11,197	7,046	3,038	6,238
Other reserves held to support capital schemes	3,515	3,732	3,639	2,889
Reserves held to support growth and reform:				
Clean City Reserve	4,300	2,628	0	0
Children's and Families Investment Reserve	9,685	7,367	1,981	1,320
Town Hall	0	4,828	2,789	2,516
City Centre Reserve	0	2,500	1,000	1,000
Our Manchester	146	668	2,524	2,422
Other Reserves to support growth and reform	1,351	1,890	0	0
Grants and Contributions used to meet commitments over more than one year	7,534	3,982	1,763	1,666
General Fund	1,940	509	0	0
	74,290	**74,990**	**53,690**	**55,007**

74. Further detail on the main proposed use of reserves to support revenue expenditure is set out in more detail in the following paragraphs.

Parking Reserve and Bus Lane Enforcement Reserve

75. There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of highway and environmental improvements, and provided there is no requirement for the Council to provide additional off street parking or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2017 is £6.105m. It is estimated that £6.496m will be added to these reserves during 2017/18 and £7.104m used.

76. It will be used in accordance with these requirements to fund spend in the Growth and Neighbourhoods Directorate.

Airport Dividend Reserve

77. As set out above the additional elements of airport dividend will be used to support the budget a year in arrears for prudence, so will be held in a reserve.

Children and Families Investment Reserve

78. The Children and Families Investment Reserve of £14m was set up in 2015/16 with the aim of meeting the cost of early help, evidence based interventions relating to troubled families and looked after children, adoption and fostering and additional social workers over a period of four years required to deal with the increasing numbers of children moving into the authority and the often complex nature of the cases presented.

Town Hall Reserve

79. The refurbishment of the Town Hall, which is included within the proposed Capital Programme Budget will also have revenue implications such as the cost of financing capital; alternative accommodation costs; and loss of income over a number of years offset in part by reduced spend on maintenance and utilities.

80. The Town Hall project is expected to run until 2023/24, the most recent forecast of revenue implications over the budget period (excluding any increased costs of capital) and taking account of the loss of income from events and savings on the current running costs of the Town Hall is estimated to be in the region of £10m over the three year budget period to 2019/20. This may be subject to change as the design process develops.

81. It is proposed that the revenue implications are funded from savings in the Minimum Revenue Provision (MRP) policy as outlined earlier. Each year the first £5m saving from the MRP adjustments will be used to support the revenue budget with the balance funding the revenue costs of the Town Hall refurbishment. The expected amounts available and forecast costs over the budget period are shown below.

Table 16: Town Hall reserve

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Opening Balance	0	7,915	5,487	4,798
Transfer to reserve	7,915	2,400	2,100	2,400
Use of reserve to fund Town Hall Revenue Costs	0	(4,828)	(2,789)	(2,516)
Balance in reserve	**7,915**	**5,487**	**4,798**	**4,682**

City Centre Review

82. The City centre is the heart of the regional economy, cultural and leisure offer, and it attracts millions of visitors every year. The City centre has also changed out of all recognition as a popular residential location in the last thirty years. Delivering public services in the city centre is complex, with different demands and pressure points arising from the volume and diversity of city centre users. The Leader and Executive Members of the

Council are committed to improving the experience of the city centre despite the increasing complexities and financial challenges faced by the Council and partners.

83. In order to deliver the objectives of the review it will be proposed a funding package is developed. The report elsewhere on this Agenda sets out the recommendations from the review.

84. The funding available is £4.5m made up of £3m estimated 2016/17 surplus from Business Rates, £1m which was originally earmarked for the Our Manchester Reserve and £500k external funding.

Resourcing Our Manchester

85. Over the last few months, key stakeholders in the city including the Council have been exploring how an Our Manchester approach could be developed to enable delivery of the new 10-year Strategy for Manchester. This has involved a number of activities including Our Manchester (one-day) workshops, Listening in Action staff engagement sessions, Design and Delivery Group workshops as well as a wide range of meetings and conversations about Our Manchester with stakeholders.

86. A Delivery and Resourcing plan has now been developed. The main priorities include:
- Workforce development
- A review of Voluntary and Community Sector (VCS) funding - bringing together a number of grants and contracts to create a single pot of funding
- Progressing ‘phase one’ activity work that demonstrate an Our Manchester approach in practise. Place based activity in Wythenshawe, Gorton and North Manchester is under discussion as is work to bring forward new ways of working in integrated health and care teams and amongst housing providers. It could also include the development of new preventative care models to embed the Our Manchester approach to the Locality Plan.
- Communication and Engagement - working with partners to develop toolkits and examples of best practise as Our Manchester progresses. This will require additional resourcing to increase the capacity to be able to deliver this, and will include communication materials. Further and deeper engagement with staff, residents, businesses and VCS organisations will be undertaken in the coming year.
- Building capacity within communities to build on the strengths and assets that already exist and to enable a shared approach to problem solving in neighbourhoods.
- Capacity to oversee the coordination and delivery of the Our Manchester programme. This may include people from other organisations to deliver this as part of a truly collaborative approach.

87. The new approach is likely to require both some upfront investment in 2016/17 and ongoing funding to support delivery of the objectives as outlined above. To support this an Our Manchester Reserve has been

established from the element of the 2016/17 airport dividend which would previously have been transferred to capital fund.

Section 7 - Workforce Implications

88. The Council's workforce will be the essential driving force behind Our Manchester. A refreshed People Strategy, Our People, has been developed, informed by the BHeard Survey and significant engagement with staff and partners. The Strategy has Our Manchester at its heart and sets a clear ambition for how we ensure the workforce are inspired, connected and empowered to work in different ways through the Our Manchester behaviours.

89. The next three years are likely to be more manageable in terms of workforce reductions than the period 2011-2015, when the organisation lost almost 4,000 FTE posts, which is almost 40% of the workforce and equivalent to around £100m in workforce savings.

90. If all the budget proposals are taken forward, the maximum total gross reduction in posts over the next three years is estimated to be 77 FTE (this figure will include a number of vacant posts and positions filled by part time employees which will affect the actual impact on staff). The 77 FTE reduction relates to the current workforce totals and does not reflect any other significant changes to service delivery models. The table below shows the current budgeted FTE by directorate and the impact of the proposed savings.

Table 17: Workforce numbers

Summary by Directorate	**2016/17 Budgeted posts (FTE)**	**2017 - 2020 Saving Proposals FTE Impact (Indicative)**
Adults	1,440	0
Children's	1,441	19
Corporate Core	1,909	54
Growth &Neighbourhoods	1,376	3
Strategic Development	286	1
Total	**6,452**	**77**

91. The City Council's workforce turnover is around five per cent annually (around 300 FTE). Over the three year course of this budget it is anticipated that the workforce reductions can be achieved without the need for the use of an enhanced early retirement or voluntary redundancy scheme.

92. A significant number of staff will be seconded into the Local Care Organisation and the single health and social care commissioning function. All Council staff affected will remain employees of the Council. The full details of these arrangements are being developed and there will be full

consultation with staff and trade unions over the coming months leading to phased implementation from 1 April 2017.

93. After five years of restricted external recruitment and increasing demands there is a recognition that the City Council will need to invest in skills for our existing staff and attract, develop and retain new talent to enhance the Council's capabilities for the challenges ahead. This will be enabled by opportunities made available through the natural turnover noted above and supported by a strong focus on workforce development as part of the new People Strategy and new opportunities including the apprenticeship levy. Underpinning this work will be a strengthened focus on working in new ways through the Our Manchester behaviours across the full spectrum of the organisation's work and interactions.

Section 8 - Capital Investment Strategy

94. Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities and the development of longer term, five-year, Capital Investment Strategy forms a critical part of the City Council's strategic and financial planning from 2017/18.

95. The last 12 months have witnessed a number of significant developments that have had, and will continue to have, a major influence on the future shape and approach to capital investment within the City. These include the "Our Manchester" Strategy, the Manchester Residential Growth Strategy, commercial developments, devolution and reviews of the Highways Estate, the Operational Built Estate and ICT.

96. The challenge for the future is to drive transformation, growth and reform; to define Manchester as an attractive place to live and further improve the quality of life for all residents and increase their overall social and economic prospects, and enable them to participate fully in the life of the City.

97. Details of the revised Capital Strategy and associated Capital Programme can be found elsewhere on this Agenda.

Section 9 - Consultation

98. The City Council invited comments and feedback from all residents and stakeholders about the options prepared by Council officers to meet the £40m-£75m budget gap in the formal consultation which commenced on 3 November and this has informed the development of the Executive's final draft budget proposals.

99. The Summer Budget Conversation which commenced in July and subsequent development of the budget options has provided an opportunity to share budget options earlier in the process. This has

enabled feedback to be gathered on them individually before the final proposals were developed for the more formal budget consultation process. The consultation was promoted to businesses as well as residents and ensures the Council is compliant with its statutory duty under the Local Government Finance Act 1992 to consult with persons or bodies appearing to them to be representative of persons subject to Non-Domestic Rates (also known as Business Rates) in their area, about their proposals for expenditure for the forthcoming financial year.

100. The two statutory consultations required for Surestart and the Council Tax Support Scheme also commenced on 3 November and ended on 10 January and 15 December respectively.

101. The formal budget consultation commenced on 3 January and will continue until 10 February. Responses to the full budget consultation will be included on the agenda for Resources and Governance Scrutiny Committee on 20 February.

Section 10 - Legal Issues

102. In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council’s legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

103. In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority’s resources in both the short and long term; that the proposals strike a fair balance between the interests of Council Tax payers and ratepayers on the one hand and the community’s interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between different elements of the community and the interests of Council Tax and Business Rate payers in developing the proposals which are set out in the Directorate reports.

Duties of the City Treasurer

104. The Local Government Finance Act 2003 requires the Chief Finance Officer to report to the authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFOs report when making decisions about the calculations. The City Treasurer’s report in relation to the reasonableness of the estimates and adequacy of the reserves is set out in paragraphs 102 to 105 of this report.

105. Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

106. Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Council.

107. The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor.

108. In relation to the announcement that Local Authorities responsible for adult social care will be given additional flexibility on their current council tax referendum threshold, the Section 151 officer (the City Treasurer) in Adult Social Care Authorities is required to provide information relating to the additional council tax that has been allocated to adult social care. The Council is required to provide a response to the Secretary of State no later than seven days after the authority has set its budgets and council tax for 2017/18 to certify:

- whether the authority is increasing its council tax above the 2% threshold and therefore using the additional flexibility for adult social care and if so
- what percentage is it increasing its council tax by for adult social care
- the cash amount that this will raise; and
- what the authority's adult social care budget would have been before and after the flexibility is included

109. In addition the amounts must be included in the Revenue Account returns sent to CLG in April / May 2017 and the Revenue Outturn forms which will be submitted to CLG in May 2018.

Other Statutory Duties

110. In considering the budget for 2017/18 the Council must also consider its ongoing duties under the Equality Act (as set out in paragraphs 16 to 18) to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc.

111. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.

112. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City. In determining the final set of proposals for 2017/18 officers have had regard to the equality duty and, as set out in the Directorate Reports detailed equality impact assessments will be identified and completed where required by each directorate prior to final decisions being made.

113. In determining the final set of proposals for 2017/18 officers have had regard to the equality duty. Detailed information on the potential equality implications of budget proposals for each Directorate are set out within the Equality Action Plans which form part of each Directorate's Budget and Business Delivery Plan. This includes information on where equality impact assessments have or will be completed prior to final decisions being made. This is set alongside information on how the Directorate will support the Council's agreed equality objectives.

Section 11 – Reasonableness of the Estimates

114. Finally the Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Section 12 - Robustness of the Estimates

115. The City Treasurer has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The Council has a well developed corporate risk register and a financial risk register that is reviewed monthly throughout the year. Each Service Head has carried out an individual risk assessment of their budgets which have been reviewed by the Corporate Support Team at an earlier stage of the business planning process. The savings proposals have been subject to planning and verification. The savings represent a risk and not only assume the planned reduction in the workforce will be achieved in a timely manner but also the service reductions will be implemented with sufficient pace. The

achievement of these savings will be monitored by Strategic Management Team throughout the coming year.

116. It is the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures are now well embedded and are designed to specifically monitor high level risks and volatile budgets.

117. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. There is a risk that there is an increase in successful appeals and this provision is insufficient.

118. The City Treasurer considers that the assumptions on which the budget have been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary means that the City Treasurer is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

Section 13 - Risks and Mitigation

119. As outlined above, all savings proposals have been risk rated and each Directorate will maintain their own monitoring arrangements alongside the corporate assurance process. The detailed savings tracker is sent to Strategic Management Team Business Planning and Transformation on a monthly basis and reported to Executive Members.

120. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Section 14 - Budget Scrutiny

121. Overview and Scrutiny committees are holding special meetings to look at the Budget Proposals and their delivery. Resources and Governance Scrutiny Committee will look at the overall budget proposals, receive comments from other scrutiny committees and consider responses to the budget consultation.

Section 15 - Conclusion

122. This report and the accompanying Strategic Response report elsewhere on the agenda detail proposals to respond to the Local Government Settlement and to the requirement to produce a definitive budget to be approved at the City Council meeting on the 3 March 2017. The report sets out a proposed investment approach to underpin the delivery of Our Manchester and the approach to preparing the Capital Strategy and budget.

123. The Provisional Finance Settlement did not bring any real additional funding for Adult Social Care and instead has increased the overall financial gap by £1.2m. The report assumes that the Council Tax for social care will be implemented at 3% for 2017/18 and 2018/19 with no precept for Social Care in 2019/20 which has a detrimental effect of £43k by the end of the three year period.

124. This is a period of continued reductions in resources and growing pressures. The savings required over the three year period will be in the region of £31.8m after taking account of anticipated commercial income to support the revenue budget. Proposals have been identified and officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability.

125. Detailed recommendations appear at the front of this report.

Appendix 1

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. INTRODUCTION

1.1 The Council Tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings re listed in one of eight valuation bands and the amount of Council Tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18:

1.3 There are three main stages in setting the Council Tax:-

STAGE 1 -	The Council calculates is own **council tax requirement,** (i.e. its net revenue expenditure), including levies issued to it but not precepts.
STAGE 2 -	The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.
STAGE 3 -	Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Police and Crime Commissioner and the Fire and Rescue Authority.

2. STAGE 1 - THE COUNCIL TAX REQUIREMENT

2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".

2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -

(i) an estimate of the Council's gross revenue expenditure - Section 31A(2);

(ii) an estimate of anticipated income - Section 31A(3)

(iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement.**

2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -

(a) estimated revenue account expenditure to be incurred during the year;

(b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);

(c) any raising of reserves for future years (e.g. payments into special funds);

(d) any estimated revenue account deficit for previous years not already provided for;

(da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.

(e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council’s share of any collection fund deficit

(f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of NNDR in excess of allowance for non-collection).

2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -

(a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).

(aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates

(b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus

(c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;

(d) any amount of reserves/balances intended to be used towards meeting revenue expenditure.

2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.

2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.

2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.

2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as Revenue Support Grant (RSG) and the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).

2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)

3. THE LEVEL OF THE COUNCIL TAX REQUIREMENT

3.1 The level of the Section 31A calculations, and in particular the calculation of the Council Tax requirement is of crucial importance both legally and financially. In particular -

- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.

- the amount of the council tax requirement must ensure a balanced budget

- the amount of the council tax requirement must leave the Council with adequate financial reserves.

- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and ratepayers.

- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5)

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its **basic amount of council tax**. This is the MCC element of Band D Council Tax. Then, under Section 36, it must calculate the MCC element of all the bands as a proportion of the Band D calculation.

4.2 Section 31B Calculation

The MCC Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$\frac{R}{T}$$

where -
R is the council tax requirement, and
T is the council tax base.

4.3 Council Tax Base

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2017/18 to be 109,829. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 Section 36 Calculation

Having calculated the basic amount of council tax (i.e. the MCC element of the Band D tax) the Council is then required to convert it into a MCC element for all Bands by multiplying it by the formula N/D where -

N is the proportion for the band as set out below and D is 9.

4.5 The proportions for each band are as follows:-

A:	B:	C:	D:	E:	F:	G	H:
6:	7:	8:	9:	11:	13:	15:	18

5. COUNCIL TAX REFERENDUMS

5.1 The Localism Act 2011 ("LA 2011") abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.

5.2 The provisions require the Council to determine whether its "basic amount of council tax" for a financial year is excessive. This question must be decided on accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 5% (including 3% for adult social care) is deemed "excessive" in 2017/18.

5.3 All figures are based on an increase in an authority's "***basic amount of council tax"*** between 2016/17 and 2017/18. The definition of "basic amount" is set out in Section 52ZX, LGFA 1992.

5.4 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State's principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. a Police and Crime Commissioner or Fire and Rescue Authority) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority's increase.

5.5 If an authority determines that it has set an excessive increase, it must also make "substitute calculations" to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority's increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

6.1 The final part of the process is for the Council as billing authority to set the overall Council Tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the Council Tax is solely the responsibility of the City Council as billing authority.

6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.

6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.

6.4 The council tax cannot be set before 1 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.

6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

6.6 A draft resolution for setting the Council Tax is set out in the attached Annex A. A template for calculating the council tax requirement and basic amount of council tax is attached at Annex B.

7. <u>CONSTITUTIONAL ARRANGEMENTS</u>

7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.

7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 8 February. That will not happen this year and any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Finance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. <u>RESTRICTIONS ON VOTING</u>

8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -

(a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

8.2 In these circumstances, any such members shall at the meeting and as soon practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

ANNEX A

COUNCIL TAX
DRAFT RESOLUTION
SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA

RESOLVED

1. That the estimates prepared by the Executive at its meeting on 8 February 2017 be [approved/amended as follows ......]

2. That it be noted that the City Treasurer acting under delegated powers has determined the amount of 109,829 as the Council Tax base for Manchester for the year [2017/2018] in accordance with Section 31A(3) of the Local Government Finance Act 1992 and regulations 3 to 5 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

3. That the following amounts be now calculated by the Council for the year [2017/2018] in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:-

(a) £ being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A(2)(a) to (f) of the Act.

(b) £ being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act.

(c) £ being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 31A(4) of the Act, as its council tax requirement for the year.

(d) £ being the amount at 3(c) above divided by the amount at 2 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.

(e) Valuation Bands

A B C D E F G H

being the amount given multiplying the amount at 3(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. The above valuation bands include an additional 3% to fund adult social care.

5. That it be noted that for the year [2017/18] the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Valuation bands

		A	B	C	D	E	F	G	H
GM Police and Crime Commissioner	£								
GM Fire and Rescue Authority	£								

5. That, having calculated the aggregate in each case of the amounts at 3(e) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year [2017/18] for each of the categories of dwellings shown below.

Valuation bands

A	B	C	D	E	F	G	H

ANNEX B

1. CALCULATING THE COUNCIL TAX REQUIREMENT

Section 31A Calculations

1.1 Section 31A of the Local Government Finance 1992 requires the Council to make three calculations:-

(i) an estimate of the Council's required gross revenue expenditure -Section 31A(2)
(ii) an estimate of its anticipated income (excluding that from council tax) and of reserves to be used to aid the revenue account - Section 31A(3)
(iii) a calculation of the difference between (i) and (ii) above, (i.e. the Council Tax requirement) - Section 31A(4)

1.2 In its Section 31A(2) calculation the Council is required to allow for the following:-

Section 31A(2)(a) - the estimated revenue account expenditure it will incur during the year in performing its functions

Section 31A(2)(b) - an appropriate allowance for contingencies for the year, e.g. for unforeseen occurrences such as disasters, storm damage, higher than expected inflation etc.

Section 31A(2)(c) - any raising of financial reserves for future expenditure - examples of this include payments into a redemption fund, internal insurance etc,

Section 31A(2)(d) - any revenue account deficit for a previous financial year which has not yet been provided for;

Section 31A(2)(da) – any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations by reference to sums received by the authority in respect of business rates.

Section 31A(2)(e) - any amount estimated to be transferred from the General Fund to the Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1992 - i.e. the Council's share of any collection fund deficit;

Section 31A(2)(f) - any amounts estimated to be transferred from the General Fund to the Collection Fund by direction of the Secretary of State under Section 98(5) of the Local Government Finance Act 1988 - including an estimate of the shortfall in the collection of Non-domestic Rates in excess of the allowance

1.3. In its Section 31A(3) calculation the Council must calculate the aggregate of sums to be put against gross expenditure, namely:-

Section 31A(3)(a) - estimated income from fees, charges, and government grants (including RSG) plus other sums payable into the general fund (but excluding council tax)

Section 31A(3)(aa) – Any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations by reference to sums received by the authority in respect of business rates.

Section 31A(3)(b) - any amount estimated to be transferred from the Collection Fund to the General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 - i.e. the Council's share of any collection fund surplus;

Section 31A(3)(c) - sums to be transferred from the Collection Fund to the General Fund pursuant to a direction of the Secretary of State under Section 98(4) of the Local Government Finance Act 1988 - including allowances for costs of collection of business rates;

Section 31A(3)(d) - the amount of financial reserves/balances which the authority intends to use towards meeting its revenue expenditure

1.4 On the basis of current estimates, the calculations would be as follows: -

	HRA £	Other £	Total £
Expenditure Section 31A (2)(a) Section 31A (2)(b) Section 31A (2)(c) Section 31A (2)(d) Section 31A (2)(da) Section 31A (2)(e) Section 31A (2)(f) Income Section 31A (3)(a) Section 31A (3)(aa) Section 31A (3)(b) Section 31A (3)(c) Section 31A (3)(d)			

1.5 <u>Council Tax Requirement under Section 31A(4</u>) being the amount by which the aggregate under Section 31A(2) exceeds the aggregate under Section 31A(3)

is £

2. CALCULATING THE BASIC AMOUNT OF COUNCIL TAX

2.1. Section 31B of the Local Government Finance Act 1992 requires the Council to calculate the basic amount of its Council Tax - this is in effect the City Council element of the Band D Council tax.

2.2 This calculated by applying the following formula -

$$\frac{R}{T}$$

Where -

R is the Council Tax requirement, and

T is the approved Council Tax base

2.3 Calculating the Basic Amount of Council Tax

Council Tax Requirement £

Divided by:
Council Tax Base – 109,829

Band D Basic Amount of Council Tax is: £

2.4 The council tax requirement for 2017/18 is £
The aggregate amount of levies issued to the council for 2017/18 is £
The council tax base for 2017/18 is 109,829
The relevant basic amount of council tax for 2017/18 is £

APPENDIX 2

Prudential Indicators 2017/18 to 2019/20

Last year's approved figures are shown in brackets.

	2017/18	2018/19	2019/20
Ratio of Financing Costs to Net Revenue Stream			
Non – HRA	9% (10%)	9% (10%)	9%
HRA	4.0% (3.9%)	3.8% (3.8%)	3.6%
Incremental impact of Capital Investments on			
Council Tax (Band D, per annum)	£5.42	£70.83	£159.88
Housing Rent per week	£0.00	£0.00	£0.00
Capital Expenditure	**£m**	**£m**	**£m**
Non – HRA	451.0 (256.0)	450.1 (145.3)	161.4
HRA	42.1 (37.0)	39.8 (20.1)	18.1
TOTAL	493.1 (293.0)	489.9 (165.4)	179.5
Capital Financing Requirements (as at 31 March)	**£m**	**£m**	**£m**
Non – HRA	1,267 (1,231)	1,527 (1,299)	1,603
HRA	269 (264)	282 (273)	298
TOTAL	1,536 (1,495)	1,809 (1,572)	1,901
Authorised Limit for external debt -	**£m**	**£m**	**£m**
Borrowing	1,555.4 (1,245.0)	1,595.7 (1,245.0)	1,814.1
other long term liabilities	216.0 (216.0)	216.0 (216.0)	216.0
TOTAL	1,771.4 (1,461.0)	1,811.7 (1,461.0)	2,030.1
Operational Boundary for external debt -	**£m**	**£m**	**£m**
Borrowing	1,159.8 (1,096.2)	1,412.9 (1,187.4)	1,541.6
other long term liabilities	216.0 (216.0)	216.0 (216.0)	216.0
TOTAL	1,375.8 (1,312.2)	1,628.9 (1,403.4)	1,757.6
	£m	**£m**	**£m**
Actual external debt	936.6 (954.9)	1,258.7 (1,074.2)	1,357.5
Upper limit for total principal sums invested for over 364 days	0 (0)	0 (0)	0
Upper limit for fixed interest rate exposure Net borrowing at fixed rates as a % of total net borrowing	96% (100%)	100% (100%)	100%
Upper limit for variable rate exposure Net borrowing at Variable rates as a % of total net borrowing	92% (95%)	97% (100%)	100%
Gross Debt as a proportion of CFR	61%	70%	71%

*Further detail can be found in the Treasury Management Strategy which is elsewhere on the agenda. If borrowing is transferred to the Greater Manchester Combined Authority some of these indicators will need to be revised.

APPENDIX 3 – Reserves
Forecast use in 2017/18 and forecast closing balance 2018/19 and 2019/20

	Opening Balance 01/04/17	*Withdrawals*	*Additions*	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Schools Reserve	27,526	0	0	27,526	27,526	27,526	
General Fund Reserve							
Statutory Reserves	10,344	(7,323)	6,641	9,662	9,109	8,506	
Earmarked Reserves	160,283	(67,158)	67,405	160,530	151,808	139,841	
General Fund Reserve	27,182	(509)	0	26,673	26,673	26,673	
Total General Fund	225,335	(74,990)	74,046	224,391	215,116	202,546	
Housing Revenue Account Reserves:							
Housing Revenue Account General Reserve	51,308	(15,000)	0	36,308	24,808	24,408	
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	845	0	0	845	845	845	
Total HRA	86,153	(15,000)	0	71,153	59,653	59,253	
TOTAL RESERVES	311,488	(89,990)	74,046	295,544	274,769	261,799	

SCHOOLS RESERVE							

	Opening Balance 01/04/17	*Withdrawals*	*Additions*	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
LMS Reserve	27,526	0	0	27,526	27,526	27,526	School balances - These are not MCC resources and so cannot be used by MCC
Sub Total Schools	27,526	0	0	27,526	27,526	27,526	
STATUTORY RESERVES							
Bus Lane Enforcement Reserve	2,713	(1,522)	1,427	2,618	2,523	2,428	Ring fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	3,392	(5,582)	5,069	2,879	2,366	1,853	Ring fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	1,881	(78)	0	1,803	1,725	1,647	£1.95m was received from the HCA to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Cutting Room Square Ext Ancoats Reserve	1,038	(12)	0	1,026	1,014	1,002	Funds received as part of a Section 106 agreement to cover the revenue costs of maintaining Cutting Room Square, the required funds will be drawn down each year.
New Smithfield Market	168	(70)	70	168	238	258	To contribute towards funding the development plans for the market
Great Northern Square Maint Fund	343	(13)	0	330	330	330	Set up in accordance with the agreement with the developers of the site. It will be used for

-	Opening Balance 01/04/17	*Withdrawals*	*Additions*	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
							upgrading of the square.
Education Endowments	17	0	0	17	17	17	Kept as part of future payments for school prizes
Landlord Licensing Reserve	46	(46)	0	0	0	0	Smoothing reserve
Art Fund Reserve	35	0	0	35	35	35	For art purchases
St Johns Gdns Contingency	711	0	75	786	861	936	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	**10,344**	**(7,323)**	**6,641**	**9,662**	**9,109**	**8,506**	
EARMARKED RESERVES							
BALANCES HELD FOR PFI'S							
Street Lighting PFI	181	(181)	0	0	0	0	Established to fund the requirements over 25 years re. the PFI contract for Street Lighting service via our external contractors
Temple PFI	648	0	8	656	664	672	PFI Scheme 25 years contract drawdown will be in future years as expenditure exceeds grant.
Wright Robinson PFI Reserve	766	0	32	798	830	862	PFI Scheme 25 years contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	**1,595**	**(181)**	**40**	**1,454**	**1,494**	**1,534**	

_	Opening Balance 01/04/17	*Withdrawals*	*Additions*	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
SMALL SPECIFIC RESERVES							
Housing Loans	122	0	10	132	142	152	Resources available to meet future needs of mortgage accounts
NSM - Car Boot	253	(45)	55	263	273	283	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	321	0	40	361	401	441	To purchase land for burials
Primary School Catering Reserve	222	(50)	0	172	172	172	Reserve established to support the Service's competiveness by smoothing school meal prices during the 3 year price planning period.
Catering R & M Insurance Account	166	0	0	166	166	166	Reserve established to meet refurbishment cost of school kitchens.
CWAG Reserve	87	(6)	0	81	75	69	Held in relation to the running costs of Council's With ALMOs Group (CWAG) which is administered by MCC
Investment Reserve from Surpluses	151	(95)	0	56	56	56	Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens.
Graves And Memorials	97	0	0	97	97	97	Money held in trust for repair and Development costs for gravestones
Other Small Specific reserves	27	0	0	27	27	27	Small specific reserves

	Opening Balance 01/04/17	*Withdrawals*	*Additions*	**Closing Balance 31/03/2018**	**Closing Balance 31/03/2019**	**Closing Balance 31/03/2020**	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Total Small Specific Reserves	**1,446**	**(196)**	**105**	**1,355**	**1,409**	**1,463**	
RESERVES FOR SPECIFIC RISKS OR TO SMOOTH COSTS							
Risks							
Historic Abuse Claims Reserve	5,563	0	0	5,563	5,563	5,563	For potential future legal cases
Planning Reserve	1,300	0	0	1,300	1,300	1,300	To smooth fluctuations in planning income
Transformation Reserve	8,723	0	0	8,723	8,723	8,723	To support costs of future service change.
Airport Dividend reserve	29,161	(29,161)	29,161	29,161	29,161	29,161	The interim additional airport dividend for 2015/16 will support the 2016/17 budget.
Pension Risk Fund - MWL	646	0	0	646	646	646	This relates to potential pension liabilities for Manchester Working employees.
Inspirit Pension Reserve	14	0	0	14	14	14	Relates to potential pension liabilities
Manchester International Festival	1,500	(500)	0	1,000	500	0	To fund the additional costs of the Mcr International Festival Fund, £500k every other year.
Insurance Fund	17,482	0	0	17,482	17,482	17,482	The insurance fund has been established to fund risks that are self-insured.

	Opening Balance 01/04/17	*Withdrawals*	*Additions*	**Closing Balance 31/03/2018**	**Closing Balance 31/03/2019**	**Closing Balance 31/03/2020**	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Children's Services Reserve	29	(29)	0	0	0	0	The reserve is being held for any unexpected issues arising from Academy transfers given the level of uncertainty around any costs falling to the LA within a short timescale.
Land Charges Fees Reserve	400	(400)	0	0	0	0	Prior years overachievement of fee income as Land Charges has a requirement to demonstrate a break even position on a rolling 3 year basis therefore exceptional surpluses are taken to reserves.
Newton Heath Market Reserve	22	0	0	22	22	22	To fund future markets expenditure
Compensation Reserve	93	0	0	93	93	93	Money set aside to meet possible future claims for compensation
New Islington Dowry Reserve	223	(50)	0	173	123	73	NWDA funding for maintenance over a 10 year period.
Adult Social Care	2,000	(2,000)	0	0	0	0	The interim additional airport dividend for 2015/16 will support the 2016/17 budget.
Business Rates Reserve	5,633	0	0	5,633	5,633	5,633	To mitigate Business Rates income risk
TOTAL Risk	**72,789**	**(32,140)**	**29,161**	**69,810**	**69,260**	**68,710**	
RESERVES HELD TO FUND PLANNED CAPITAL SPEND							

	Opening Balance 01/04/17	*Withdrawals*	*Additions*	**Closing Balance 31/03/2018**	**Closing Balance 31/03/2019**	**Closing Balance 31/03/2020**	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Housing Regeneration reserve	13,900	(1,100)	0	12,800	11,700	11,350	To deliver strategic housing related regeneration projects.
Service Improvement Fund	103	(93)	0	10	10	10	Balance relates to system improvements
Capital Fund Revenue Reserve	21,258	(7,046)	28,512	42,724	42,834	37,174	Contribution to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme. Used to fund high priority strategic development opportunities in the city for those that do not attract external funding. This can also be used for revenue.
Eastlands Reserve	7,849	(2,539)	2,187	7,497	7,228	7,242	English Institute of Sport - Sport England MCFC income
Total to fund capital spend	**43,110**	**(10,778)**	**30,699**	**63,031**	**61,772**	**55,776**	
RESERVES TO SUPPORT GROWTH AND REFORM							
Soccerex Reserve	395	(395)	0	0	0	0	Soccerex worldwide. To fund £395,000 per year for 2014/15 to 2017/18.
Town Hall Reserve	7,915	(4,828)	2,400	5,487	4,798	4,682	To fund revenue expenditure on the Town Hall Complex Programme
Troubled Families Reserve (Manchester Investment Fund)	1,334	(1,334)	0	0	0	0	This was set up to support the scaling up on the community budgets work

	Opening Balance 01/04/17	*Withdrawals*	*Additions*	**Closing Balance 31/03/2018**	**Closing Balance 31/03/2019**	**Closing Balance 31/03/2020**	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Clean City	2,628	(2,628)	0	0	0	0	To support green initiatives
Children and Families Investment Reserve	7,856	(7,367)	1,500	1,989	958	647	To invest in priorities within Children and Families
NW Construction Hub Reserve	316	0	0	316	316	316	The capital programme section manages the NWCH, other LA's pay a fee to use the service and the income is used to cover the cost of retendering every three years.
Transformation Challenge Award	161	(161)	0	0	0	0	Transformation challenge award was awarded to GM authorities to support reform. Manchester's share was £757,904 and has been allocated to projects to be spent across 2015/16 to 2017/18
Our Manchester reserve	5,614	(668)	0	4,946	2,422	0	Additional investment made available as part of the 2017/2020 budget process to drive forward the delivery of Our Manchester
City Centre Review reserve	1,000	(2,500)	3,500	2,000	1,000	0	To fund improvements in the City Centre
TOTAL	**27,219**	**(19,881)**	**7,400**	**14,738**	**9,494**	**5,645**	
GRANTS USED OVER ONE YEAR - NOW HAVE TO BE SHOWN AS A RESERVE DUE TO CHANGE IN ACCOUNTANCY RULES							
English Partnership (HCA)	1,902	0	0	1,902	1,902	1,902	HCA approval required to Fund Development appraisal and Eastlands Project team

-	**Opening Balance 01/04/17**	*Withdrawals*	*Additions*	**Closing Balance 31/03/2018**	**Closing Balance 31/03/2019**	**Closing Balance 31/03/2020**	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Public Health Grant	308	(308)	0	0	0	0	Unspent Public Health grant received in previous year.
Other Grants and Contributions	2,536	0	0	2,536	2,536	2,536	Various local Environment scheme & initiatives i.e. 'clean up campaigns'
Better Care	6,958	(2,902)	0	4,056	2,389	723	Contributions received from CCG's
Contributions Other Local Authorities	354	0	0	354	354	354	Relates to various ongoing Civil Contingencies schemes.
Other Grants and Contributions Regeneration	307	0	0	307	307	307	Unspent grant received in previous year
DoLs Grant	182	(182)	0	0	0	0	Unspent grant received in previous year
DEFRA	64	(64)	0	0	0	0	Reservoir Inundation Fund . Relates to funding the Emergency Planning Works in the event of flooding.
LAC Remand	153	(153)	0	0	0	0	This will be used to fund specific activities and resources aimed at reducing remands in the future.
SEN Reform	469	(373)	0	96	0	0	Grant to help local authorities in England continue to meet the costs of implementing the special educational needs and disabilities (SEND) reforms
CAB010 One Public Estate Reserve	150	0	0	150	150	150	Unspent grant received in previous year

-	**Opening Balance 01/04/17**	*Withdrawals*	*Additions*	**Closing Balance 31/03/2018**	**Closing Balance 31/03/2019**	**Closing Balance 31/03/2020**	PURPOSE
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	
Workforce Development and Learning	52	0	0	52	52	52	Unspent grant received in previous year
Asylum Seekers	668	0	0	668	668	668	MCC are holding the monies on behalf of AGMA Councils, this money will not be drawn down in year but needs to be retained on the Balance sheet to ensure that MCC are not in breach of the contract that we hold as Lead Authority on this project.
Public Health Reserves (20 MPH Traffic Schemes)	21	0	0	21	21	21	For Revenue Contribution towards Phase 2 of the 20 MPH Traffic Schemes
TOTAL	**14,124**	**(3,982)**	**0**	**10,142**	**8,379**	**6,713**	
TOTAL EARMARKED RESERVES	**160,283**	**(67,158)**	**67,405**	**160,530**	**151,808**	**139,841**	
Total General Fund Reserves	**197,809**	**(74,990)**	**74,046**	**196,865**	**187,590**	**175,020**	

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Council – 3 March 2017

Subject: Capital Programme (Budget 2017/18 – 2021/22)

Report of: The City Treasurer

Summary

The purpose of the report is to present the 2017/18 capital programme and forward commitments.

Recommendations

The Executive is requested to:

1. Approve and recommend the report to Council.

2. Delegate authority to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2017/18 to 2021/22 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

3. Note the intention of the payment of an interim dividend to Manchester City Council from the Manchester Mortgage Corporation Limited (“the Company”), and approve the provision of an indemnity for those past, present and alternate Directors and company secretaries of the Company who are or were Council Officers whether or not they are current employees of the Council.

4. Approve the provision of an indemnity for those past, present and alternate Directors and company secretaries of the Company who have previously been employed by the Council and who are now or will be employees of the Greater Manchester Combined Authority.

The Council is requested to:

1. Approve the capital programme as presented in Appendix 1 (for £493.1m in 2017/18, £489.9m in 2018/19, £179.5m in 2019/20, £126.4m in 2020/21 and £288.0m in 2021/22) which will require prudential borrowing of £1,025.1m to fund non-HRA schemes over the three year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

2. Delegate authority to:

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

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

c) The City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2017/18 and then £5m per year thereafter.

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

e) The City Treasurer in consultation with Executive Member for Finance and Human Resources to agree and approve where appropriate:
   i. The programme of schemes for the delivery of the corporate asset management programme; and
   ii. Proposals relating to Corporate Compulsory Purchase Orders

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Wards Affected: All

Our Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.

Our Manchester Strategy outcomes	Summary of the contribution to the strategy
A liveable and low carbon city: a destination of choice to live, visit and work.	Investment in all areas of the capital programme contributes towards the strategy, notably investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth.	Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital programme report as presented will require £1,025.1m (all non-HRA) of prudential borrowing over the five year period, with £792.0m required for Manchester City Council projects and £233.1m required for projects carried out on behalf of Greater Manchester. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

Financial Consequences – Capital

The latest forecast spend for 2016/17 is £271.9m.

The proposals contained in this report would create a capital programme of £493.1m in 2017/18, £489.9m in 2018/19, £179.5m in 2019/20, £126.4m in 2020/21 and £288.0m in 2021/22.

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Background documents (available for public inspection):

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

Report to the Executive 17 February 2016 Capital Programme (Budget 2016/17 – 2018/19)
Report to Council 4 March 2016 Capital Programme (Budget 2016/17 – 2018/19)
Report to the Executive 16 November 2016 (Capital Monitoring – Q2)
Report to the Executive February 2017 (Capital Monitoring – Q3)

1 Introduction

1.1 The purpose of the report is to present the capital strategy and capital programme for 2017/18 and future years and to confirm that there are adequate levels of resources available to finance the capital programme.

2 Strategic Context

2.1 Manchester is an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for the residents and delivering a vision of making Manchester a world class city. As encapsulated in the Manchester Strategy the vision is for Manchester in 2025 to be in the top flight of world class cities:

- with a competitive, dynamic and sustainable economy that draws on our distinctive strengths in science, advanced manufacturing, culture, creative and digital business, cultivating and encouraging new ideas;
- with highly skilled, enterprising and industrious people;
- that is connected, internationally and within the UK;
- that plays its full part in limiting the impacts of climate change;
- where residents from all backgrounds feel safe, can aspire, succeed and live well; and
- that is clean, attractive, culturally rich, outward looking and welcoming.

2.2 To be internationally competitive the city council has grasped the need to:

- deliver on meeting the need to reduce dependency and improve the productivity outcomes for our residents;
- embrace the need to be a low carbon exemplar;
- invest in, and strengthen, the council's existing economic and infrastructure asset base; and
- support the City's cultural and sporting offer.

3 Developing the Programme for Additional Capital Investment from 2017/18 to 2021/22 – the Capital Strategy

3.1 Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The development of a longer term, five-year, Capital Strategy forms a critical part of the City Council's strategic and financial planning from 2017/18.

3.2 The last 12 months have witnessed a number of significant developments that have had, and will continue to have, a major influence on the future shape and approach to capital investment within the City. These include the "Our Manchester" Strategy, the Manchester Residential Growth Strategy, commercial developments, devolution and reviews of the Highways Estate, the Operational Built Estate and ICT.

3.3 The challenge for the future is to maximise the capital resources available to the Council in order to deliver the priorities for the City.

3.4 This will require continued investment for transformation to define Manchester as an attractive place to live and further improve the quality of life for residents. Important to achieving this will be:

- to support, promote and drive the role and continuing growth of the City Centre as a major regional, national and international economic driver;
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer;
- to support employment growth through a strengthening and diversification of its economic base and through the efficient use of land;
- to support investment in transport infrastructure;
- to provide an expanded, diverse, high quality housing offer, ensuring that the growth is in sustainable locations supported by local services and the public transport infrastructure;
- to support the delivery of a Schools Capital Programme to support new and expanded high quality primary and secondary school facilities for a growing population; and
- continuing to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

3.5 Within a wider City Region and regional context the ambition is for Greater Manchester to become a financially self-sustaining city, sitting at the heart of the Northern Powerhouse with the size, the assets, the skilled population and political and economic influence to rival any global city.

3.6 Greater Manchester has been working hard, with Government, to turn that vision into a reality. The conurbation's priorities around growth and reform are widely recognised to be distinctive, evidenced and wholly appropriate for the long term success of the area. The City Region is one of a few economic geographies capable of becoming a national engine of growth for the North and the UK as a whole, and in doing so, becoming a net contributor to the economy. Greater Manchester has made a strong, evidence-based case for the devolved, place-based management of local services, alongside innovative funding arrangements that remove unnecessary ring-fences to enable consistent prioritisation against Greater Manchester and Northern Powerhouse growth objectives.

3.7 Against this backdrop the Greater Manchester Strategy sets out the Vision for the future "*By 2020 the Manchester City region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region where the prosperity secured is enjoyed by the many and not by the few*". The Devolution Agreement places Greater Manchester in a better position to deliver on the key requirements for economic growth.

3.8 The key for the City of Manchester is to enable local people to contribute to and benefit from that growth. The Council will maximise the opportunities created through the Devolution Agreement alongside the City's capital programme to connect residents with skills and employment opportunities and to support the investment in transport and highways infrastructure.

3.9 The challenge for the future is to drive transformation, to define Manchester as an attractive place to live and further improve the quality of life for all residents; to increase their overall social and economic prospects, and enable them to participate fully in the life of the City. Important to the delivery of the aspirations of the City will be:

- to support, promote and drive the role and continuing growth of the city centre as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land. Key commercial mixed use developments include: St Johns with Allied London (including “Factory”); St Michaels with the Jacksons Row Development Partnership; First Street with ASK / Patrizia UK; NOMA with Co-op/Hermes; Manchester Central with ASK / Patrizia; Mayfield with U&I; and Circle Square with Bruntwood; This will be complemented by driving growth through for example, Corridor Manchester; the Airport City Enterprise Zone; the Siemens Princess Road Campus; Central Park in North Manchester; and at the Etihad Campus in East Manchester;
- to support investment in transport infrastructure the City Centre which will lay the foundations for continuing success by ‘future proofing’ the city’s transport infrastructure including; the Second City Crossing, The Northern Hub, Cross City, Bus Corridor and the redevelopment of Victoria Station. Work on the two proposed HS2 stations at the Airport plus an new integrated rail station at Piccadilly that brings together HS2 and Northern Powerhouse Rail with Metrolink and the existing classic rail system will be key priorities for the city over the next decade;
- to drive forward the City Council’s Residential Growth Strategy and associated policy frameworks such as Housing Affordability and the Residential Quality Guidance, all of which seek to provide the city with an expanded, diverse, high quality housing offer that is attractive to and helps retain economically active residents in the city, ensuring that the growth is in sustainable locations supported by local services, good public transport infrastructure, and core lifestyle assets such as parks, other green and blue infrastructure, and leisure facilities. This will include maximising the opportunities through Manchester Place, Manchester Life and the Housing Investment Fund and to be able to react flexibly to deliver an attractive housing offer for the City;
- to deliver a Schools Capital Programme that will support new and expanded high quality primary and secondary school facilities for a growing population;
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- to continue to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

3.10 The capital programme has been developed in line with the strategic priorities for the City and the City Council. This has highlighted that a longer term approach to capital investment is required, and the budget shown here is for the next five years.

3.11 New proposals for 2017/18 onwards have been assessed against strategic fit, the economic value they can add to the City, the financial implications of undertaking the scheme and the deliverability and risk associated with the project. Fulfilment of statutory duties and social impact were also included as part of the assessment.

3.12 The projects have been assessed with those put forward within this report meeting the criteria for inclusion around strategic fit, i.e. the contribution to support priorities around growth, reform and place.

- **Priority** – the proposal scores highly, is a good strategic fit and deemed to be deliverable. These schemes will form part of the capital budget and will move forward subject to certain conditions being met and these will be determined on an individual scheme basis to ensure outcomes are met;

- **In Principle Agreement** – the scheme meets the criteria for strategic fit and/or economic value but further work is required to detail the financial implications and deliverability and to support output definition. The funding for these schemes may be reserved as part of the capital budget, but further submissions will be required into the Capital Approval process to determine the basis upon which resources are released; and

- **In Abeyance** – further work is required prior to submission to the Capital Approval process.

3.13 The new schemes from 2017/18 are categorised follows:

Priority:

- Abraham Moss Leisure Centre
- Asset Management Programme
- Schools Basic Need
- Carbon Reduction
- City Wide Strategic Acquisitions
- Civic Quarter Heat Network
- Completion of Cycle City Scheme
- Gorton Health Hub
- Highways Investment Model
- Library 2020
- Northwards Housing
- Residential Development & Regeneration – West Gorton
- Private Sector Housing
- Retained Housing

In Principle:

- Town Hall Refurbishment
- Sustaining Key Initiatives
- Northern Gateway
- Eastern Gateway
- Bridge Maintenance

- Estates Transformation
- ICT Investment Plan
- Parks Investment Programme
- School Maintenance

In Abeyance:

- Special Educational Needs (*pending Government funding announcement*)

3.14 The governance arrangements and approval processes are also being reviewed. Executive Members will have a key role in the Capital Strategy process from the consultation on business cases to signing off schemes once they have been evaluated; and in monitoring delivery against intended outcomes including that it within the agreed budget, timescales and standards.

3.15 It is proposed that all projects categorised as Priority or In Principle are included within the five-year capital budget. This would *reserve* the funding within the capital budget for the schemes.

3.16 All schemes are required to submit an evidenced, detailed spend and delivery profile as part of a revised Capital Approval process, articulating the links the project would have to the achievement of the Council's strategy and the economic value expected and setting out clear deliverables against which the project can be benchmarked throughout delivery. If schemes require further feasibility works then this too can be considered, supported by a proposed Feasibility Fund. Access to the fund will be subject to strict criteria which is currently being drawn up.

4 Capital Programme

4.1 The development of the Capital Programme stems from the priorities outlined in the Strategic Response Budget Report elsewhere on the agenda, the Budget Principles and the approach to the Capital Strategy outlined above. Together these frame the balance between the investment priorities for the Council and the level of resources available. Given the constraints on the level of resources available the aim is to maximise the use of external funding and receipts where available and to limit increasing the borrowing requirement.

4.2 The capital programme uses the most up to date forecast of outturn figures for 2016/17 of £271.9m as the base for its calculation. The programme can be viewed as consisting of two distinct areas; one for the City Council, and one which includes investments which the City Council is making on behalf of Greater Manchester.

4.3 The current three year capital programme 2016/17 to 2018/19 originally approved by Executive in February 2016 is being implemented and has been updated for the amendments and additions approved by Executive and Council throughout the year.

4.4 To establish the further capital priorities for 2017/18 to 2021/22, proposed capital projects have been subject to review to establish the strategic fit of proposals, the economic value of implementing them, the financial implications, and an assessment of risk and deliverability.

4.5 The new schemes presented as part of this budget will support the Council's strategic aims in that five year period.

4.6 The capital approvals process has also been reviewed to ensure that progress against these schemes is regularly reviewed and reported to members.

5 Proposed Capital Programme from 2017/18 - Summary

5.1 The capital programme 2017/18 to 2020/21 comprises the continuation of the current three year programme and new proposals approved by the Capital Strategy Group. The figures relating to the programme continuation are based on estimates compiled as at the end of December 2016. It has been calculated on the expectation that the current year outturn will be £271.9m, of which £215.3m relates to City Council projects.

5.2 The carry forward of committed schemes from the current programme into future years, based on the latest monitoring report for 2016/17, and the addition of new schemes detailed below gives a proposed new capital programme for City Council projects of:

- 2017/18 - £385.3m
- 2018/19 - £364.6m
- 2019/20 - £179.5m
- 2020/21 - £126.4m
- 2021/22 - £288.0m

5.3 Details of the profile of the programme for schemes delivered on behalf of Greater Manchester are given at section 16.

5.4 The current programme includes forecast Central Government grant settlements for Children's Services Schools Maintenance for 2017/18 onward. Once the grant allocations are known the budgets will be revised, and this will be reported to the Executive as part of the regular reports on proposed increases to the capital programme.

5.5 The programme will need to be reviewed if the resource position changes from the indicative level. The funding resources available to the City Council are invested so that they focus on the key priorities for the Council and take a holistic view of all planned investment in a locality. Priority will be given to key recurring programmes and strategic investments. Projects that will secure 100% external funding can be added to the programme if they fit strategically.

6 Proposed Capital Programme from 2017/18 - Detail

6.1 The existing capital programme has been reviewed, and where the capital gateway process has identified new schemes that fit strategically with the Council's objectives they have been included in this report.

6.2 The existing capital programme position is based on the monitoring reported to Executive elsewhere on today's agenda.

6.3 Further details of the proposed programme, including current commitments, are given in the paragraphs below, and are summarised in the table below:

	2016/17 forecast outturn	**2017/18 budget**	**2018/19 budget**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Manchester City Council Programme							
Highways	27.1	38.3	33.2	25.7	22.5	16.4	**163.2**
Growth and Neighbourhoods	13.9	63.2	34.5	16.6	1.7	-	**129.9**
Strategic Development	46.9	136.7	139.4	80.7	60.8	234.5	**699.0**
Housing – General Fund	14.6	29.0	27.2	20.2	9.9	6.2	**107.1**
Housing – HRA	23.5	42.1	39.8	18.1	19.5	18.9	**161.9**
Children's Services (Schools)	83.2	58.8	56.9	3.0	3.0	3.0	**207.9**
ICT	5.4	13.1	18.6	10.4	9.0	9.0	**65.5**
Adults and Children's Services	0.7	4.1	15.0	4.8	-	-	**24.6**
MCC TOTAL	**215.3**	**385.3**	**364.6**	**179.5**	**126.4**	**288.0**	**1,559.1**
Projects carried out on behalf of Greater Manchester	56.6	107.8	125.3	-	-	-	**289.7**
TOTAL	**271.9**	**493.1**	**489.9**	**179.5**	**126.4**	**288.0**	**1,848.8**

7 Highways

7.1 The Highways capital programme consists of the investment in the City's highways network, including work on bridges, cycle paths and bus priority lanes. The programme is forecast to be £136.1m between 2017/18 and 2021/22, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2016/17 forecast outturn	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Highways	27.1	38.3	33.2	25.7	22.5	16.4	**163.2**

7.2 A Highways Maintenance Investment Programme (£100.0m) is proposed, utilising £19.1m of expected Planned Highways Maintenance grant funding received from Government alongside £80.9m of City Council resource. The programme will seek to implement longer term preventative maintenance measures, which would result in the Council's highways assets being improved and reducing maintenance costs.

7.3 The project widening A57 Hyde Rd (£3.9m) involves increasing the span of a disused railway bridge to allow removal of a pinch point, which currently reduces the number of traffic lanes from four to two. Heavy traffic congestion, particularly at peak times and journey times will both be reduced.

7.4 The Cycle City schemes (£6.3m) aim to provide a high-quality network of dedicated cycle routes across Manchester, encouraging people to make short journeys in a healthy and inexpensive way and reduce the environmental impact of private car use.

7.5 The Bridge Maintenance project (£7.2m) will ensure that the Council's bridge assets across the highways network are maintained according to statutory guidelines.

7.6 The bus priority measures and traffic improvements (£6.8m) will remove the current sources of delay and open up new routes, creating:

- Cross city connections;
- Reduced running times and better schedules;
- Improved punctuality and reliability;
- More reliable journey times;
- Reduced duration of waiting times at stops;
- Buses being a real alternative to the car; and
- Increase use of public transport.

7.7 The City Council has Highways Maintenance Challenge funding (£4.8m) available for resurfacing or reconstruction works on major routes across the City.

8 Growth and Neighbourhoods

8.1 The Growth and Neighbourhoods capital programme includes the capital investment required to support the City's neighbourhoods and well being, such as street lighting, libraries and leisure centres. The programme is forecast to be £116.0m between 2017/18 and 2021/22, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2016/17 forecast outturn	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Environment and Operations	7.7	27.0	22.9	6.5	-	-	**64.1**
Leisure	5.7	34.9	11.1	10.1	1.7		**63.5**
Libraries	0.5	1.3	0.5				**2.3**
Total Growth and Neighbourhoods	13.9	63.2	34.5	16.6	1.7	-	**129.9**

Environment and Operations

8.2 The Street Lighting Private Finance Initiative (PFI) project (£31.6m) will deliver the procurement and installation of modern, state of the art, low energy light emitting diode (LED) street lighting technology. Once operational the scheme is planned to provide revenue savings due to reduced energy charges, and lower maintenance costs for the Council's street lighting.

8.3 The Heat Network (£18.0m) project aims to provide a heat network throughout the Civic Quarter of the City. This will reduce energy costs, and also help achieve the City's aim of reducing carbon emissions by 41% by 2020.

8.4 As part of the waste and street cleaning contract, a loan will continue to be available to the contractor to upgrade vehicles (£6.8m) on a spend to save basis. The loan will be repaid through reduced service costs.

Leisure

8.5 The Parks Investment Programme (£20.5m) will focus on three key objectives, specifically the development of the Hall, Stables and Lake Hubs at Heaton Park, the development of Wythenshawe Park including restoration of the Hall, and improvements to the quality of the community and local parks, green spaces and allotments across Manchester.

8.6 Following a review of Indoor Leisure provision, it has been identified that investment is required in two leisure centres, Abraham Moss and Moss Side (£23.6m). A full refurbishment of Moss Side and a new build for Abraham Moss will reduce revenue costs associated with the upkeep of the buildings, and provide long-term savings to the Council.

8.7 As part of the Football Association's plan to transform the grassroots of the game, the Manchester Football Hubs programme (£13.0m) will provide football facilities including pitches, changing rooms and education suites at several sites across the City.

Libraries

8.8 The roll out of the Central Library ICT model (£0.5m) will standardise the library ICT delivery model across the city, improving the customer experience and streamlining the ICT support process.

8.9 The Library 2020 project (£0.7m) aims to increase the use of the Council's library assets by piloting the open library concept at three district libraries. This will include investment in technology to enable library users to access the library when it is usually closed.

9 Strategic Development

9.1 Strategic Development also includes the programme for the Council's property assets, and investment in neighbourhood development and cultural facilities. . The programme is forecast to be £652.1m between 2017/18 and 2021/22, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2016/17 forecast outturn	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Culture	6.9	28.4	54.8	16.0	-	-	**106.1**

Corporate Property	27.6	59.3	58.6	50.2	56.3	230.0	**482.0**
Development	12.4	49.0	26.0	14.5	4.5	4.5	**110.9**
Total Strategic Development	46.9	136.7	139.4	80.7	60.8	234.5	**699.0**

Culture

9.2 The continuing Factory project (£99.3m) is a cultural facility within the City Centre. This will receive significant financial support from the Government, and will create an estimated 2,400 jobs.

Corporate Property

9.3 The Asset Management Programme (£41.0m) will ensure that the Council's assets, including its elite assets, are well-maintained.

9.4 The Strategic Acquisitions budget (£27.0m) will provide funding for the Council to acquire key sites throughout the city, provided they become available, which can further the aims and objectives of the corporate plan.

9.5 The Hammerstone Road project (£15.0m) will invest in the depot to allow the Council to consolidate all depots into one site. This investment will allow other sites to be released, and reduce the maintenance costs associated with these sites.

9.6 There will be continuing Investment in Heron House (£11.3m) to refurbish the building.

9.7 The Carbon Reduction Programme (£10.0m) will be used to explore schemes which can support the Council's aim of reaching zero carbon emissions by 2050. Such schemes will include the use of combined heat and power plant, solar photovoltaic panels, and the use of LED lighting within the Council's estate.

9.8 The proposed Sustaining Key Initiatives (£25.0m) investment provides the Council with the capacity to intervene to ensure key commercial and mixed use development priorities are secured in the city. It is expected that any intervention would be done on an investment basis.

9.9 An Estates Transformation plan (£19.0m), built on the findings of stock condition surveys commissioned by the Council, aims to maximise the use of the Council's estate through focussing investment on key properties to ensure that the operational estate is fit for purpose, and rationalising the estate.

9.10 The Town Hall and Albert Square Refurbishment (£306.1m) establishes the capital budget for the full refurbishment and upgrade to modern standards of the Town Hall and the associated costs for Albert Square. It should be noted that the forecast profile of spend is based on a number of assumptions, and the forecast will be subject to review following the design stage and at other points throughout the programme.

Development

9.11 The capital work at the Space Project (£11.9m) will continue, to expand the capacity of the site. Similarly, the refurbishment of One Central Park (£5.2m) will continue to support the development of the digital economy.

9.12 The programme of investment which forms the Eastern Gateway (£47.6m) is aimed at land acquisition on the eastern side of the City, to bring forward regeneration schemes which are either Council led or developed with a commercial partner.

9.13 The Northern Gateway investment plan (£25.0m) seeks to promote significant residential growth in the neighbourhoods of New Cross, Lower Irk Valley and Collyhurst through land assembly and the provision of core infrastructure, with the regeneration completed with an investment partner.

9.14 The Medieval Quarter Public Realm (£2.0m) scheme will fund public realm improvements in the north of the city centre around the Rover Irwell, Manchester Cathedral, Cheetham's and Victoria Station.

9.15 The Airport Power Infrastructure scheme (£3.9m) involves the construction of new electricity distribution infrastructure to serve development within the Manchester Airport City Enterprise Zone. This will be funded through DCLG grant funding, which has been awarded under its Building the Foundations for Growth programme.

10 Housing – General Fund

10.1 The Housing – General Fund capital programme includes housing regeneration schemes, such as the Council's housing Private Finance Initiative (PFI) schemes. It also includes funding for disabled facilities and energy efficiency schemes. The programme is forecast to be £92.5m between 2017/18 and 2021/22, as shown in the table below, and the primary schemes are also detailed below:

	2016/17 forecast outturn	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Housing – General Fund	14.6	29.0	27.2	20.2	9.9	6.2	**107.1**

10.2 Funding has been set aside within the programme for commercial and residential acquisitions (£8.2m) which will support the existing Brunswick and Miles Platting PFI schemes. Similarly funding is available for the acquisition of properties relating to regeneration in West Gorton (£2.4m), and for potential commitments from historical CPOs.

10.3 Major adaptations funding is available (£32.7m) to assist in works to make social rented properties suitable for disabled residents.

10.4 Provision is also made regarding the ongoing Redrow development programme (£5.5m), which represents the cost of new builds. This will be funded by the ongoing sale of properties over current and future years.

10.5 The West Gorton Regeneration Programme is currently being delivered. Further investment in Residential Development and Regeneration in the area (£3.5m) will focus on the provision of a new community park, highways work, and potentially a new community space.

10.6 Further investment plans include support for the development of Extra Care accommodation by registered providers within Manchester (£6.0m), acquisitions to support the regeneration of the Moston Lane area (£7.5m), continuing the regeneration of Collyhurst through further site assembly (£5.0m), and new equity products for existing home owners and for a “market rent to purchase” scheme (£1.0m).

10.7 The regeneration of the Ben Street area (£14.3m) of Ancoats and Clayton will continue, to deliver new housing.

10.8 The programme also includes funding for new build re-provision (£3.1m) of some of the existing shared supported housing accommodation for clients with learning disability, on an invest to save basis.

11 Housing – Housing Revenue Account (HRA)

11.1 The Housing – HRA capital programme consists of the investment in the Council’s public sector housing estate, including acquisitions and capital works on existing Council housing assets. The programme is forecast to be £138.4m between 2017/18 and 2021/22, as shown in the table below, and the main schemes are also detailed below:

	2016/17 forecast outturn	**2017/18 budget**	**2018/19 budget**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Housing – HRA	23.5	42.1	39.8	18.1	19.5	18.9	**161.9**

11.2 Provision is also made in the budget to reflect the delivery of new works in future years that will support the ongoing 30-year HRA asset management plan (£102.9m). The funds will be used to maintain the Decent Homes Standard within Manchester’s housing stock and, in addition, will support innovative climate change investment; essential health and safety works; public realm environmental works; and, where appropriate, it will support estate regeneration and re-modelling.

11.3 The programme includes funding for the ongoing regeneration works in Collyhurst (£23.1m), including the demolition of obsolete maisonettes, improvements to the infrastructure of the Village, and potential compensation for tenants involved in demolition projects.

11.4 Work will continue on the North Manchester New Builds project (£7.0m), developing 56 new HRA homes on a number of sites across Collyhurst and Higher Blackley.

11.5 The land assembly around Parkhill Avenue (£4.2m) will continue to facilitate the regeneration of the area.

12 Children's Services (Schools)

12.1 The Children's Services capital programme is predominantly focused on the building of new schools, to meet school place demand, and investment in the existing school estate. The programme is forecast to be £124.7m between 2017/18 and 2021/22, as shown in the table below, and the main schemes are also detailed below:

	2016/17 forecast outturn	**2017/18 budget**	**2018/19 budget**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Children's Services (Schools)	83.2	58.8	56.9	3.0	3.0	3.0	**207.9**

12.2 The high school at Lytham Rd (£9.5m) will be completed in this period, creating places for 1,050 pupils.

12.3 Works will continue on the secondary expansions at Manchester Health Academy (£3.5m), Co-op Academy (£6.6m) and the Manchester Enterprise Academy (£2.0m), to provide the secondary pupil places required in the City.

12.4 Work will also progress on a new high school (£40.8m) to provide places for 1,800 pupils in the Central / East area of the City.

12.5 The City Council has been notified that it will receive a substantial Basic Need grant in 2017/18 and 2018/19, to fund the significant increase in school places forecast to be required in that year. To accommodate this increase, work needs to begin on new school builds and site expansions before 2018/19.

12.6 Council is therefore asked to approve borrowing in 2017/18 up to the level of the 2018/19 Basic Need allocation, with the expectation that the borrowing will be repaid using the grant once it is received in 2018/19. This will allow the works to commence and the places to be available by September 2018.

12.7 A Government grant-funded schools maintenance programme (£15.0m), to help maintain the Council's school assets, is included within the budget. Officers expect this funding stream to continue, however the annual budgets will be revised once confirmation of the level of funding is received.

12.8 As noted above, grant allocations for 2018/19 have not been announced by Central Government. Once these are made available, a revised capital programme including the grant funding will be reported to Executive as part of the regular reports on proposed increases to the capital programme.

12.9 Investment in School Crossing Patrols will be doubled, with a further £1.0m included in the programme to provide permanent highways improvements to improve road safety outside schools and reduce risks at existing crossings.

13 Information and Communication Technology (ICT)

13.1 The ICT capital programme provides investment to the Council's ICT estate, and grant funding to third parties for improved connectivity. The programme is forecast to be £60.1m between 2017/18 and 2021/22, as shown in the table below, and the main schemes are also detailed below:

	2016/17 forecast outturn	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	Total
	£m	£m	£m	£m	£m	£m	£m
ICT	5.4	13.1	18.6	10.4	9.0	9.0	**65.5**

13.2 A four year ICT Investment Plan (£55.0m) is proposed. The programme of works will include measures aimed at service stability, compliance, technology refresh and business transformation. It will also include service-specific ICT projects, including upgrades to existing ICT tools, application integration, service transformation and estates rationalisation works.

14 Adults and Children's Services

14.1 The Adults and Children's Services capital programme provides investment for the health and social care work of the City Council. The programme is forecast to be £23.9m between 2017/18 and 2021/22, as shown in the table below, and the main schemes are also detailed below:

	2016/17 forecast outturn	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	Total
	£m	£m	£m	£m	£m	£m	£m
Adults and Children Services	0.7	4.1	15.0	4.8	-	-	**24.6**

14.2 To provide integrated health and community services it is proposed to invest in a new facility at the Gorton District centre (£22.8m). The proposal is on an invest to save basis with the expectation that public sector partners will lease space in the facility and in doing so provide an income stream from which the financing costs can be funded.

15 Available Resources

15.1 The estimated funding profile for City Council projects for the financial year 2017/18 is as follows:

Fund	Housing Programmes		Other Programmes	**Total**
	HRA	Non-HRA		
	£m	£m	£m	**£m**
Borrowing		5.8	189.2	**195.0**

Capital Receipts	0.2	16.3	15.6	**32.1**
Contributions		1.1	5.3	**6.4**
Grant	3.3	5.8	93.4	**102.5**
Revenue Contribution to Capital Outlay	38.6		10.6	**49.2**
Grand Total	**42.1**	**29.0**	**314.1**	**385.2**

15.2 Prudential borrowing of up to £791.9m over the five-year period will be needed to support the programme in line with the new schemes and previous planning and profile approval. The breakdown over 2017-2022 is:

- 2017/18 - £195.0m
- 2018/19 - £161.9m
- 2019/20 - £109.9m
- 2020/21 - £79.2m
- 2021/22 - £245.9m

a. The Housing HRA programme will not require prudential borrowing.

b. The Corporate programme requires £791.9m of prudential borrowing which includes:

Scheme	**£m**
Minor Highways work	0.4
Hyde Roag (A57) Pinch Point Widening	1.2
Street Lighting PFI	31.6
Civic Quarter Heat Network	18.0
Waste Contract	6.8
Indoor Leisure Provision at Moss Side and Abraham Moss	23.6
FA Hubs	4.3
Libraries investment	1.7
Hammerstone Road	15.0
Heron House	11.3
Space Project	9.4
One Central Park	5.2
St. Peters Square	1.0
Acquisitions in West Gorton	1.4
Supported Accommodation for Learning Disability	3.1
Regeneration of Ben St	10.3
Bring forward 2018/19 Basic Need grant into 2017/18 (to be repaid in 2018/19)	20.1
ICT Infrastructure and Mobile Working	3.2
Gorton integrated health development;	22.8
Northern Gateway	25.0
Eastern Gateway	47.6
Sustaining Key Initiatives	25.0
Parks Investment Programme	12.5
Highways Investment	80.9
Bridge maintenance	7.2
Cycle City	1.7
Estates Transformation	19.0
Carbon Reduction	10.0
ICT investment	55.0

Refurbishment of the Town Hall and Albert Square	306.1
Strategic Acquisitions	10.0
School Crossing Patrols	1.0
Other Minor Schemes	0.5

15.3 A number of these schemes will be on an invest to save basis, and will generate savings. The remainder are affordable within the existing capital financing budget.

15.4 In addition further “spend to save” investment opportunities may arise and in order to deliver these types of projects delegated authority is given to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The extent of this delegation is currently restricted to an annual limit of £5,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any such additions to the capital budget are financed in full by additional income, revenue budget savings, or cost avoidance.

15.5 Work will continue to confirm the position for the five years from 2017/18 to 2021/22 and the final capital budget will be reported to Council in March. This will include confirmation of Government funding and the effect of any changes in the delivery of the current three year programme in 2016/17. Any such changes should simply require a re-profiling of the programme between financial years, with no overall change to the estimated total funding requirement for the City Council.

15.6 The Directors of The Manchester Mortgage Corporation Limited (“the Company”) are considering the payment of an Interim Dividend to Manchester City Council as sole shareholder of the Company. The Company currently has £6m in its reserve account. If the Company was to pay the full sum of £6m to the Council, the Company would require an indemnity for the past, present and alternate Directors and company secretaries whether or not they are current employees of the Council. This is necessary to ensure the Company is able to pay the full amount of £6m to the Council.

15.7 It is also acknowledged that the Council has nominated and appointed a number of Council officers on the boards of companies, trusts and other local bodies as Council representatives. A number of those Council officers are now transferring to or have recently transferred to the employment of the Greater Manchester Combined Authority.

15.8 The Executive is now requested to provide an indemnity for those past, present and alternate Directors and company secretaries who have previously been employed by the Council and who are now or who will be employees of the Greater Manchester Combined Authority.

16 Projects carried out on behalf of Greater Manchester

16.1 The capital programme for projects carried out on behalf of Greater Manchester consists of schemes where Manchester is acting as the lead body but the expenditure relates to projects across the conurbation. The programme is forecast to be £233.1m between 2017/18 and 2021/22, as shown in the table below, and the main schemes are also detailed below:

	2016/17 forecast outturn	**2017/18 budget**	**2018/19 budget**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Projects carried out on behalf of Greater Manchester	56.6	107.8	125.3	-	-	-	**289.7**

16.2 The Housing Investment Fund (£226.7m) aims to invest in local housing schemes to stimulate the market, accelerate growth and increase housing supply by lending to the private sector to bring forward housing developments across Greater Manchester. It is funded through a grant from Government which has to be classed as borrowing, and the risks of lending to the private sector are shared between the Greater Manchester authorities and Government.

16.3 The Greater Manchester Loans Fund (£6.5m) is a public/private partnership to address the short fall in the capital finance sector which is adversely affecting businesses in the city region, especially small and medium enterprises. By supporting these businesses the aim is to improve jobs and growth in the city region. The loans issued by the Council are guaranteed by all Greater Manchester authorities, including Manchester.

16.4 Each of the schemes above is funded by borrowing at relatively low risk, with funds borrowed from either Government, or with guarantees from the Combined Authority or other Greater Manchester authorities. It should be noted that should the Combined Authority receive borrowing powers for economic regeneration, these schemes would likely transfer across to the Authority.

17 Key Polices and Considerations

(a) Equal Opportunities

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

(b) Risk Management

As a result of the national economic downturn the amount of usable capital receipts included in the resources calculation for the original capital budget is no longer achievable. In response to these circumstances the City Treasurer instigated a review of the whole capital programme in order to establish the most efficient and effective way to fund the programme. The review will be ongoing.

Appendix 1 – Proposed Capital Budget 2016-2022

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Highway Programme						
Highways Planned Maintenance Programme						
A6 SEMMS - Stockport	5,758	5,266				
Planned Highways Maintenance Programme	4,052	20,786	22,667	22,667	20,000	14,000
Highways Stand Alone Projects Programme						
Ardwick Grove Village Parking		23				
Christies Residents Parking	1					
Didsbury Village Tram Stop Traffic Mitig		18				
North Manchester Hospital Residents Parking	9					
Old Market Street traffic calming	16	1				
Section 106 Highways work around Metrolink			47			
Hyde Road (A57) Pinch Point Widening	181	44	1,588	2,301		
New Islington Free School Road	108					
Armitage School Parking Issues	2					
Delamere Road One Way Order	12					
Barlow Moor Road		27				
Birley Fields Campus highways work	72					
Etihad Expansion - Public Realm	36	373				
Etihad Expansion - S278	92					
Wilmslow Rd / Wilbraham Rd Cycle Routes (Cycle Casualty Reduction)		1,664				
Velocity	416					
Cycle City Phase 2	139	3,015	1,658			
Congestion Target Performance			235			
Burton Road Traffic Management	5					
Piccadilly Undercroft Gating	68					
20mph Zones (Phase 2)	25					
20mph Zones (Phase 3)	31	50	419			
Blocked Gullies	98					
Levenshulme Parking Signage	3					
ITB Minor Works	152					
Great Ancoat St/Pollard St S106	8					
Flood Risk Management - Hidden Watercourses	49					
Flood Risk Management - Calve Croft Flood Risk	25					
Flood Risk Management - Higher Blackley Flood Risk	119					
Manchester/Salford Inner Relief Road (MSIRR)	653					
Great Ancoats Improvement Scheme	312	321				
Highways Maintenance Challenge Fund	2,909	4,817				
Cycle Parking	186	1				
Shadowmoss Rd / Mossnook Rd	58					
Birley Fields Campus improvements	83					
Edge Lane	17					
Cringlebrook Primary School Crossing	42					
Former BBC site Section 278	180	1				
GMCRP Multi Sites	29	1				
Bridge Maintenance		760	760	760	2,460	2,460
SEMMMS PROGRAMME						
Ringway Road Highway Imp Scheme	277					
SEMMMs A6 to Manchester Airport	50	130				
Bus Priority Package Programme						
Bus Priority Package - Rochdale Road	51					
Bus Priority Package - Oxford Road	8,906	945				
Bus Priority Package - Princess Street/Brook Street	283					
Bus Priority Package - Regional Centre	429	44				
Bus Priority - Complementary Measures	85					
Bus Priority - Unallocated			5,773			
Total Highways Programme	**26,027**	**38,287**	**33,147**	**25,728**	**22,460**	**16,460**
Environment Programme						
City Centre Litter Bins	12	21				

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
City Wide Litter Bins	123					
Fleet Collaboration	37					
Additional CCTV Enforcement Vehicles	59					
Street Lighting PFI	1,000	12,383	12,659	6,541		
Civic Quarter Heat Network		8,750	9,250			
Waste Reduction Measures	4,700					
Waste Contract	1,724	5,822	1,000			
Replacement Android Devices	88					
Leisure Services Programme						
Parks Improvement Programme						
Heaton Park	37					
Heaton Hall & Park Improvements	172					
Hollyhedge Park Draninage IMPS	119					
Alex Park Heritage Refurb	48					
Heaton Park	174					
Heaton Park Pay & Display	563					
Harpurhey Park	38					
PIP - Park Events Infrastructure	692					
PIP - Park Furniture	25					
PIP - Wythenshawe Park Play Area Improvement	87					
PIP - Unallocated	98	2,050	6,660	10,050	1,740	
City Centre Planting Containers	130					
Citywide Play Equipment	200	200				
Fletcher Moss Tennis	260					
Leisure & Sports Facilities						
Hough End Leisure Centre	43					
Levenshulme Leisure Centre	97					
National Taekwondo Centre	73					
Clayton Vale Mountain Bike Trail	10					
National Squash Centre - refurbishment for rental	505					
Belle Vue Sports Village	347					
Indoor Leisure - Abraham Moss	175	11,527	4,400			
Indoor Leisure - Moss Side	575	7,687				
Hockey Reprovision	561					
FA Hubs		13,000				
Boggart Hole Clough - Visitors Centre	100	435				
Mount Road S106	108					
Libraries and Info Services Programme						
Central Library Wolfson Award	45	72				
Library Refresh	41					
Wolfson Children's Digital Libraries	250					
Roll Out of Central Library ICT	79	291	222			
Libraries - WiFi Printing	45	30				
Refresh of Radio Frequency Identifier Equipment	27	242	241			
Introduction of On-Line Payments	30					
Upgrade to Customer Facing Furniture	50					
Library 2020		700				
Total Growth and Neighbourhoods Programme	**13,547**	**63,210**	**34,432**	**16,591**	**1,740**	
Cultural Programme						
First Street Cultural Facility	28					
The Factory	6,889	28,459	54,784	16,018		
Corporate Property Programme						
Asset Management Programme	14,358	9,038	8,000	8,000	8,000	8,000
Strategic Acquisitions Programme	11,884	15,000	3,000	3,000	3,000	3,000
On-Street Advertising and Wayfinding	159					
Town Hall Complex Transformation Programme	671					
Hamerstone Road Depot		2,500	8,500	4,000		
Heron House	750	10,750	500			
Carbon Reduction Programme		2,000	2,000	2,000	2,000	2,000

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
			£'000			
Sustaining Key Initiatives		10,000	10,000	5,000		
Estates Transformation		3,500	5,000	5,000	3,500	2,000
Town Hall Refurbishment		6,484	21,658	23,167	39,808	214,987
Development Programme						
Development Programme - East Manchester						
New Islington Public Realm	11					
New Islington Footpath Connection	6					
New Islington Marina	350					
Edison St CPO	121					
Miles Platting Community Hub	4					
The Space Project	3,500	10,500				
Digital Asset Base - Space Project	40	1,360				
Digital Asset Base - One Central Park	100	5,200				
Digital Asset Base - NewCo	30					
New Smithfield Market	807					
Beswick Community Hub - Manchester Institute	639					
Beswick Community Hub - Highway and Public Realm	86					
Eastern Gateway		18,100	16,000	4,500	4,500	4,500
Development Programme - North Manchester						
Irk Valley Improvements	15					
Eccleshall Street - Clean City	7					
Irish World Heritage Centre	276					
Northern Gateway		5,000	10,000	10,000		
Development Programme - City Centre						
NOMA Group Estate - Highways	482					
Hulme Hall Rd Lighting	39					
ST Peters Square	2,336	1,000				
Medieval Quarter Public Realm		2,000				
Development Programme - Enterprise Zone						
Airport City Power Infrastructure (EZ)	2,028	3,850				
Development Programme - Stand Alone Projects						
Digital Business Incubators	2,000	2,000				
Total Strategic Development Programme	**47,616**	**136,741**	**139,442**	**80,685**	**60,808**	**234,487**
Private Sector Housing Programme						
Brunswick PFI (PSH)						
Brunswick PFI Land Assembly	1,085	3,471	3,341			
Collyhurst (PSH)						
Collyhurst PFI Land assembly	18	187	1,070		3,700	
Collyhurst Environmentals		127				
Housing Investment Model						
Site Investigation and Early Works HIF Pilot Sites	40	633	118	123		
Miles Platting PFI (PSH)						
Miles Platting PFI Land Assembly	1,137	1,384				
Private Housing Assistance Citywide Programme						
Disabled Facilities Grant	4,500	6,476	7,602	6,200	6,200	6,200
Eccleshall Street	9	180				
Kingley Ave (previously l-bowne local ph		50	256			
Toxteth St CPO & environmental works	140	75	177			
Bell Crescent CPO		482				
Private Sect Housing Standalone Projects						
HCA Empty Homes Cluster Funding	2					
Redrow Development Programme						
Redrow Development Phase 2 onward	5,642	5,500				
West Gorton (PSH)						
West Gorton Compensation	4	6	5			
West Gorton Ph 2A Demolition & Comm Acqu	100	1,915	303	200		
Residential Development & Regeneration West Gorton		1,421	1,050	1,050		
Private Sector Housing - Capital Projects						
HMRF	150	50	50	50		
RRO and Loans	22	23				
Collyhurst Acquisition & Demolition (Overbrook	300	641				

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
& Needwood Close)						
Extra Care		500	3,500	2,000		
Moston Lane Acquisitions		1,000	3,250	3,250		
Equity Loans		100	400	500		
Learning Disability (Supported Housing Accomodation)		1,000	2,050			
West Gorton Community Park		250				
Ben St. Regeneration	1,340	3,393	4,000	6,877		
Canada St - Walking With Wounded	80	127				
Total Private Sector Housing Programme	**14,569**	**28,991**	**27,172**	**20,250**	**9,900**	**6,200**
Housing Programme - HRA						
Northwards - External Work						
Concrete Repairs - Walkup Flat Balconies	35					
Charlestown - Victoria Ave multis window replacement and ECW - Phase 1		2,500	500			
Door replacements - Phase 5	8					
13/14 Newton Heath Petrock Wlk Roof Wrks	13					
13/14 Ext Cyclical Maint & Imp Wrks Ph1	81					
Riverdale ext & cyclical works phase 1/4	16					
Riverdale ext & cyclical works phase 2/4	20					
Moston Mill Estate Ph1&2	-10					
New Lightbowne (Walderton Ave)	11					
Newton Heath Daisybank Estate	4					
External cyclical works phase 2	183					
New Lightbowne Estate Halliford Road reroofing and ECW	1,136	37				
Harpurhey, Baths Estate roofline works and ECW	42					
External cyclical works phase 3a	3,015	563				
Riverdale estate - External work and ECW (Phase 3 &4)	1,441	141				
Charlestown, Clifford Lamb Court - External wall insulation and window replacement	237	28				
Collyhurst Environmental programme	9	1,497	369			
Multi storey blocks emergency services override switch to front doors	15					
Multi storey blocks replacement of roof top fans and air valves	129	5				
Updating of Electricity Northwest distribution network phase 2 to multi storeys, maisonettes and retirement blocks	36	68				
Ancoats Anita St and George Leigh external cyclical works ph 3b	230	63				
Cheetham Halliwell Lane external cyclical works ph 3b	800	263				
Harpurhey Lathbury & 200 Estates external cyclical works ph 3b	331	396				
Moston Mill estate (excl timber framed) external cyclical works ph 3b	312	636				
Newton Heath Donleigh & Plantagenet estates external cyclical works ph 4a	254	10				
Higher Blackley Central House solid wall insulation	180	109				
Environmental works	100	100	100			
Collyhurst environmental works	108	22				
Harpurhey Shiredale Estate externals	366	151				
Moston Miners Low Rise externals	509	1,124				
Cheetham Smedley Rd externals	64	4				
Newton Heath Limeston Drive externals	231	181				
Moston Bannatyne/Lightbowne Rd/St Geroges Drive externals	233	10				
Delivery Costs	1,271	815	100			
Northwards - Internal Work						
Digital Upgrade to CCTV Systems	13					
Communal area upgrade low rise blocks P2	1					

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Various Multis Communal fire door and other upgrading works	183	10				
Lift replacement / refurbishment programme	332	39				
Multi storeys - rooftop extractor fans/water pump/water tank renewal	17					
Clifford Lamb Court - heat pump	6					
NEDO 13/14 Air source heat pump/solar thermal Ph1&2	143	10				
Ground Source Heat Pumps in 2/4 blocks	5					
Various - Boiler replacements (excluding 2/4 blocks)	109					
2 and 4 blocks heating replacement with Ground source heat pumps - Phase 1	50	1,302	500			
13/14 Decent Homes Kitchen Mop Ups	8					
Decent Homes mop ups - Phase 7, and voids	168	3				
Sprinkler system pilot	6					
Boiler replacements	358	200				
Decent Homes mop ups phase 8 and voids	701	299				
One off rewires, boilers, doors, insulation etc	400	50				
Retirement blocks lift programme	117	65				
Warden call system renewal at Liverton & Apprentice Courts	83					
Fire alarm system renewal in community room at Victoria Square	15					
Charlestown Whitebeck Court communal areas		45				
Charlestown Victoria Avenue Multis - building level meters	17					
Multi-storey lift replacement	150	332				
Retirement blocks lift programme	54	3				
Boiler Replacement at Cheetham Hill Local Services Office	135					
Delivery Costs	385	243	52			
Northwards - Off Debits/Conversions						
Dam Head flats - bringing basement flats back into use and ECW / reroofing / environmental works	9					
Crumpsall, Moxley Road acquisitions - Improvement work	8					
Delivery Costs	2					
Homeless Accommodation						
Improvements to Homeless accommodation city wide	619	531				
Plymouth Grove Women's Direct Access Centre	538	60				
Delivery Costs	145	61				
Northwards - Acquistions						
Northwards Acquisitions		102				
Delivery Costs		11				
Northwards - Adaptations						
Disabled Adaptations	1,009	500				
Adaptations						
Northwards - Unallocated						
Northwards Housing Programme Unllocated		10,931	22,394	18,000	18,500	18,900
Retained Housing Programme						
Collyhurst Maisonette Compensation & Dem		151	935			
West Gorton Regeneration Programme						
West Gorton PH2A Low & High Rise Demolit	59	20				
Future Years Housing Programme						
Housing Investment Proposals	1,861	4,960	13,650		1,000	
Collyhurst Regen - Highways Phase 1	1,760	200	1,229			
Collyhurst Regen - Churnett Street	10	780				
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	300	211				
Willert Street Park Improvements	323					
North Manchester New Builds	25	7,039				
Parkhill Land Assembly		4,180		90		
New Universal Housing System	778					

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Brunswick PFI HRA	1,199	1,050				
Total Public Sector Housing (HRA) Programme	**23,511**	**42,111**	**39,829**	**18,090**	**19,500**	**18,900**
Childrens Services Programme						
Basic Need Programme						
Temple	67					
Moston Fields - Increase capacity	95					
Cheetham Academy	1,435	48				
Crab Lane - Increase capacity	26					
Benchill	29					
Northridge	2					
Cavendish Community - Increase capacity	1,299	70				
Ashbury Meadow - Increase capacity	147					
E-Act Academy - increase capacity	66					
Crosslee - Increase capacity	50					
Claremont - Increase capacity	310					
Wilbraham Primary School	125					
Mauldeth Road - Increase capacity	68					
Charlestown - Increase accomodation	78					
St. John's CE Primary	1,588	26				
Briscoe Land Academy	176					
Holy Trinity VC Primary	3,127	50				
Stanley Grove - contribution to PFI	965					
Gorton Mount - New School	321					
Manchester Communication Primary Academy	320					
Dean Trust Ardwick	12,859	389				
Ardwick PRU	98					
ULT Manchester Academy	324					
ULT William Hulme	6,146					
Rodney House conversion	2,082	37				
Sacred Heart Expansion	432					
Lytham Rd	15,614	9,462				
St Annes RC VA - Increase capacity	50					
St Marys RC VA Levenshulme - Increase capacity	30					
Abbey Hey - Increase accommodation	250					
Abraham Moss - Additional Classrooms	538	3				
Fulmead CC	316					
Abraham Moss Dining Hall	616					
Manchester Health Academy expansion	3,559	3,460				
Co-op Academy expansion	8,000	6,555				
Plymouth Grove SEN	167					
Manchester Enterprise Academy	6,300	2,000				
St Margarets C of E	441	2,329				
Basic need - unallocated funds		20,292	53,810			
Basic need - Estimated 2016/17 allocation	5,072	9,163	116			
Universal Infant Free School Meals (UIFSM) - Allocated	558					
Universal Infant Free School Meals (UIFSM) - Unallocated	492					
Schools Maintenance						
Birchfields Boiler Replacement	15					
Sandilands - Kitchen	3					
Chorlton Park Primary roof	-7					
Loreto HS Highway Improvements	11					
St Margarets CE Rewire	1					
Charlestown New boiler	1					
Abraham Moss - Hall Heating	60					
Cavendish - Rewire	536					
Brookburn - Heating works	135					
Holy Trinity - Rewire	378					
Manley Park - Junior rewire	381					
Moston Lane - re-roof	605	598				

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Wilbraham - Rewire	331					
Moston Fields (NMHSG) - Drainage	9					
Lily Lane - new boiler	216					
Armitage - Highways works	9					
Ravensbury - Highways works	9					
Schools Capital Maintenance -unallocated	1,166	3,000	3,000	3,000	3,000	3,000
Education Standalone Projects						
Haveley Hey/Children of Success	3					
Paintpots	43					
Kids 1st Start	15					
Big Life Moss Side (EE 2 Yr Olds)	56					
Martenscroft Nursery	54					
Building Blocks	48					
Early Education for Two Year Olds	4	301				
Salix School schemes	67					
School Crossings	800	1,000				
Building Schools for the Future						
BSF Acadamies	42					
BSF Phase 1	62					
BSF Phase 2 (W4)	3,873					
Total Children's Services Programme	**83,164**	**58,783**	**56,926**	**3,000**	**3,000**	**3,000**
ICT Capital Programme						
ICT						
ICT Business Transformation - Unallocated		686				
PSN Compliance	523					
Hybrid Mail	6					
Desktop Refresh	26					
One System Upgrade	37					
SAP BP&C	281					
SAP CLM_SLC		369				
Solaris	123					
ICT Infrastructure & Mobile Working Programme						
Infrastructure & Mobile Working	565	2,539				
Citrix 7.6 Migration	713	196				
Windows 7 Migration	1,306					
Mobile Device Refresh	88	32				
Disaster Recovery	819					
PSN Windows 2003	169	159				
ICT Investment Plan		8,000	18,600	10,400	9,000	9,000
ICT Stand Alone Projects						
Broadband Connection Vouchers (Full)	8					
Broadband Connection Vouchers (Phase 3)	753					
Applications						
Information Strategy Project	8					
Applications Funding Unallocated		248				
Infrastructure						
Infrastructure Funding Unalloacred		835				
Wider Area Network Redesign	57					
Total ICT Programme	**5,482**	**13,064**	**18,600**	**10,400**	**9,000**	**9,000**
Adults and Children's Programme						
Capitalisation of Community Equipment	350					
Child Protection Info Systems (CPIS)	30					
C&F ICT Projects	90	97				
Locality Plan Programme Office	190	978				
Integrated Working - Gorton Health Hub		3,000	15,000	4,796		
Evergreen Loans	25	25				
Total Adults and Children's Capital Programme	**685**	**4,100**	**15,000**	**4,796**		
Total Manchester City Council Capital Programme	**214,601**	**385,287**	**364,548**	**179,540**	**126,408**	**288,047**

Project Name	2016/17 Forecast Outturn	2017/18 Proposed Budget	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget
	£'000					
Projects carried out on behalf of Greater Manchester						
Housing Investment Fund	55,000	105,000	121,657			
Greater Manchester Loan Fund	1,600	2,800	3,650			
Total GM projects	**56,600**	**107,800**	**125,307**			
Total CAPITAL PROGRAMME	**271,201**	**493,087**	**489,855**	**179,540**	**126,408**	**288,047**

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny 20 February 2017

Subject: Children's Services and Education and Skills Budget and Business Plan: 2017/18 – 2019/20

Report of: Director of Children's Services and Director of Education and Skills

Purpose of the Report

This report provides a high level overview of the priorities to be delivered in Children's Services and Education and Skills throughout 2017-2020 alongside the Directorate's saving proposals. Accompanying delivery plans which set out the performance, financial, risk management and workforce monitoring framework were provided for scrutiny committees which took place in late January / early February.

The report sets the savings the Directorate proposes to make in the context of its objectives. The delivery plans will provide a framework to be used throughout 2017-2020 to monitor performance towards objectives, workforce development, risk and financial outturn. Taken together, the five Directorate reports and delivery plans show how the Directorates will work together and with partners to progress towards the vision for Manchester set out in the Our Manchester Strategy.

The vision, objectives and key changes described in this report will be communicated to staff across the Directorate to ensure that staff at all levels of the organisation understand how their role contributes towards the vision for the city.

Recommendation

The Executive is recommended to approve the final proposals in this report and that these are included in the budget to Council.

Wards Affected: All

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting the Corporate Core in driving forward the growth agenda with a particular focus on integrated commissioning and delivery which will focus on utilising available resources effectively and developing a diversity of providers including entrepreneurs and social enterprises. This will provide opportunities for local jobs
A highly skilled city: world class and home grown talent sustaining	Integrated commissioning will focus on utilising available resources to connect local people to

the city's economic success	education and employment opportunities, promoting independence and reducing worklessness. Working with schools and further education providers to ensure children and young people achieve their potential and develop skills which will enable them to access future employment opportunities arising from economic growth in the city. Working with schools to engage and support our communities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote independence, early intervention and prevention, the development of evidence-based interventions to inform new delivery models integration with partners where appropriate.
A liveable and low carbon city: a destination of choice to live, visit, work	Development of integrated health and social care models that connect services and evidence-based interventions to local people and enable families and staff to influence commissioning decisions aligned to locally identified needs. Schools as community hubs playing an essential role in delivering high quality education as well as reaching out to communities and leading early intervention and prevention approaches at a local level
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the revenue budget submitted to the Executive on 8 February 2017.

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Background documents (available for public inspection):

None

1. About Children's Services and Education and Skills

1.1 The Directorate for Children and Families is responsible for social care services for children and families, public health, and for education, skills and youth services, with statutory responsibilities for safeguarding children and young people and a broad range of other functions.

1.2 In line with the priorities of the Our Manchester Strategy, the Directorate is focused on helping people who have to rely more than most on targeted and specialist services to make the changes in their lives which will see them become more independent. It must be ensured that every child has the best possible start in life and that everyone in the city has the same opportunities, life chances and potential to lead safe, healthy happy and fulfilled lives. Connecting people to the economic growth of Manchester by helping them overcome the barriers to training and jobs is key to this.

1.3 In doing this, public services must be radically transformed so they are focused around people and communities rather than organisation silos. The Directorate is working across traditional organisational boundaries to bring innovation and new ways of working to the fore. For example, work continues to be progressed with partners to embed a new approach to Early Help assessments which starts from strengths and what is important to families and encourages and supports families to make the changes which will impact positively on their lives.

1.4 Alongside this, Manchester's Locality Plan sets out the vision for the transformation of integrated, place-based working and commissioning in health and social care, leading to a single commissioning function (SCF). The plan, which is jointly owned by a range of partners, includes a shared ambition that children and young people in the city are safe and have the opportunity to thrive as they become adults. The development of the Single Commissioning Function, Single Hospital Service and Local Care Organisation (LCO) together will provide a number of opportunities to shape and integrate the aspects of children's services with health provision whilst at the same time influence the wider service offer for children, young people and their families. Changes to the demographics in the City bring both challenges and opportunities for Children's Services. Manchester has experienced significant growth in its overall population and that of children and young people in recent years as well as an increase in children and young people with additional needs. This growth has seen emerging challenges in respect of school place planning and being able to respond to high levels of transience, for example, the period of the school summer holiday has seen the arrival in the City of nearly 1,000 children seeking a school place.

1.5 The City has shown great resilience throughout the period of the recession, subsequent recovery and austerity; resulting in levels of worklessness in the city falling and more people educated to degree level and fewer people with no qualifications. At the same time however, Manchester has experienced an increase in the number of young people, including looked after children, who are not in education, employment or training (NEET) and for whom it remains the case that poor skill levels, worklessness and benefit dependency are characteristics of their everyday experiences and community. In addition, these same young people are all too often over represented in criminal justice and mental health systems.

1.6 In addition to the demographic and changes in national policy, Children's Services are also working within the context of significant change and reform locally that is being driven through Our Manchester Strategy, Locality Plan and City Deal.

Budget Consultation

1.7. Since the Budget Options were published in October, the Council has invited residents and stakeholders to tell us what they think about which options they think should be part of the final budget. We know from the earlier budget conversation that education services and support for children in care and families is of high importance to Manchester residents, as are youth and community services. Of the Budget Options published in October, £6.69m were from Children’s Services, Education and Skills. Following the consultation these have been reduced to £1.62m. These proposals also make a provision for efficiencies made within the Directorate to be reinvested to continue to support the delivery of better outcomes for Looked After Children.

1.8. Respondents feel most strongly that options which should not be accepted are those which impact on the vulnerable. Options that respondents disagreed with, and which are not part of the draft proposals, include the youth and play, early years and the Health Visitor service. The draft proposals for Children’s Services reflect these priorities. Proposals for Children’s Services are therefore drawn from options largely supported by respondents - reusing schools sites, changes to the way Schools pay for services provided by the Council and the way we provide services to Looked After Children.

1.9 The option relating to School Crossing Patrols has been changed based on feedback during the consultation and the Council is proposing to invest more to make them as safe as possible.

2. Children’s Services and Education and Skills – Vision

2.1. The Children’s Board as a key strategic partnership vision statement is:

“*Our Manchester – building a safe, happy, healthy and successful future for children and young people.*”

2.2. The Directorate has worked with partners during 2015/16 to refresh our vision for children and young people and our Children and Young People’s plan which sets out how it will be achieved. Significant improvements have been delivered since the Ofsted Inspection in 2014 and the Directorate has a clear improvement plan, can evidence progress against it and is on track with delivering the required improvements.

2.3 Manchester's Children and Young People's Plan sets out further how the city intends to take forward the overall ambition and approach described in Our Manchester and our Locality Plan in relation to children and young people. This is a plan for children, not children's services. All parts of the city have a role in supporting our children and young people, not least families.

2.4 It sets out priorities both for ***what*** the Council wants to achieve and also ***how*** they will be achieved. This reflects the wider Our Manchester approach that is being taken forward in the city. It promotes a different way of working in the city, one which at its core forges a deeper understanding of children, families and local communities, listening to what they care about and working together to improve quality of life.

2.5 The message is clear, as a City we are ambitious for all 'our' children and young people and the plan is intended to stimulate different ways of working, consistent with the emerging Our Manchester approach and the integration of reform under the following four aspects:

- **Safe** - *All children and young people feel safe; their welfare promoted and safeguarded from within their homes, schools and communities;*

- **Happy -** *All children and young people grow up happy – having fun, having opportunities to take part in leisure and culture activities, and having good social, emotional, and mental health;*

- **Healthy** - *All children and young people enjoy good physical and mental health that enables them to lead healthy, active lives, and to have the resilience to overcome emotional and behavioural challenges; and*

- **Successful** - *All children and young people have the opportunity to thrive and succeed in their education, emotional and personal lives*.

2.6 The plan also highlights particular areas that Manchester is 'passionate' about achieving: ensuring children and young people live in safe, stable and loving homes; reducing the number of children and young people in care; ensuring children and young people have the best start in the first years of life; and ensuring children and young people fulfil their potential, attend a good school and take advantage of the opportunities in the city.

2.7 Children's Services are an active member in the Greater Manchester (GM) review of services for children which is seeking to improve outcomes for children in a wider context of GM being below the national average on a range of outcomes and evidence of significant variation of consistency, demand, outcomes between authorities, and the cost of children's services.

2.8 The collective aspiration is for high quality, high impact services for children across ten authorities designed as one GM system. This will be enabled by the current GM development of a framework to develop system leaders, supported by a workforce strategy for services for children underpinned by social work development through the GM Social Work Academy. It will be further developed by other roles such as key worker functions using the Troubled Families learning on a GM basis. The systems thinking analysis which is guiding the GM development of multi-agency asset based, place based approaches in GM communities, will offer holistic support from early help to edge of care to statutory intervention for children.

2.9 A particular area of focus over the coming years will be ensuring that the schools system in Manchester continues to grow to match the significant increases in the child population of the City: achieving this requires strong partnership – with existing schools (including academies), with the DfE and their free schools programme, and with strategic spatial developments across the City, given the challenges in securing sufficient land for future school developments. Ensuring fair access and inclusion for all within such a rapidly growing system is a particular challenge within the current context.

2.10 The Government has published a Green Paper ('Schools that work for everyone') which is the subject of ongoing consultation and includes the proposal to allow new grammar schools to be created. Whilst the government has confirmed that the proposal in the White Paper, Educational Excellence Everywhere, for forced academisation of all schools has been dropped, it remains their policy (reconfirmed in the Green Paper) that a fully academised system is the long term goal. Legislation now requires the academisation of any school judged inadequate by Ofsted, and has created a new category of 'Coasting School' for those below certain performance thresholds, with the possibility of forced academisation for such schools if improvement is not secured. Manchester already has 42% of pupils attending academies, and this is likely to continue to rise over time. The City's Strategic Education Partnership Board has already expressed a commitment to all schools working in structured partnerships – and recognises that for some, these will be Multi-Academy Trusts (MATs), and for others, federations of maintained schools or other approaches. Such groupings provide the structural units for the future shape of the school system, grown from groups of successful schools in the City, and many will be well placed to take the leading roles and form the anchor institutions outlined above. Ensuring that future groupings of schools and the development of new and enhanced provision are aligned to the City's (and GM's) priorities will require sustained capacity for school engagement, despite the government's reductions in funding to Councils to fulfil this function through the changes to the Education Services Grant.

2.11 The service has been at the heart of developments within Greater Manchester, through the Review of Services for Children, to develop a framework that would see future school developments – whether government funded or locally funded – focussed on local contextual factors. These could include spatial growth, skills needs and population growth – alongside national priorities for the school system.

Early Years

2.12 Working to secure a sufficient and high quality childcare market is central to securing good quality early learning for children across the City, and the service works proactively with all parts of the sector – from childminders to large day care providers and schools – to promote quality and inclusive practice. With an increasing population and the continued provision of near universal full time free early learning for 3 year olds in the City, there are significant challenges for the sector, and the service will continue to work closely with it, particularly to promote the take up of the free early learning entitlement.

2.13 The integrated Early Years Delivery Model, incorporating the work of Manchester's Sure Start Children's Centres and their outreach teams, the work of Health Visitors (in delivering the Healthy Child Programme) and other partners, is overseen in partnership within the service. The future context for the Early Years Delivery Model is covered elsewhere as its development becomes integrated with that of Early Help services across the City.

Youth and Play

2.14 The service secures the commissioning of a wide range of youth and play activities from a significant number of voluntary and community sector organisations across the City; these activities are a vital contribution to neighbourhoods and to the transition of young people into adulthood, and their importance in this regard was highlighted in the Budget Conversation. To develop and sustain such organisations, and to create the opportunity to maximise investment in this sector, the Council has worked with partners to establish Young Manchester, a trust focussed on developing and commissioning provision across the City. Through this model, external funding will be targeted to complement the Council's funded activities.

2.15 The provision of a targeted youth support service is also vital in securing support for young people most at risk of disengaging from learning and secure pathways into further learning and employment.

Young People's Engagement

2.16 Ensuring that the voice of young people is heard is central to the development of the right provision across the City, and at the heart of an Our Manchester approach. Through universal engagement (through the Manchester Youth Council – which now works through a partnership model with over 60 affiliated school councils and youth groups) and targeted activity to secure the voice of young people within decisions that affect their lives.

Skills and Adult Education

2.17 The Manchester Adult Education Service (MAES) operates within the service, providing learning opportunities focussed on basic and key skills essential for personal development and accessing employment. The focus on literacy, numeracy, digital skills and ESOL ensures that the grant funding provided has the maximum impact on the City's priorities. The expected devolution of the Adult Education Budget to the GM Combined Authority, and associated outcomes frameworks developed within GM to secure future commissioning of this provision, will be a key context in which the service will work to further develop and secure provision for the City.

2.18 More widely, devolution of some responsibilities for work and skills sets the context for work in partnership to secure relevant pathways into further skills and education and, in due course, work for all young people and adults; a particular focus on the development of pathways into apprenticeships is important, particularly in the context of the introduction of the apprenticeship levy.

3. Children's Services and Education and Skills – Objectives

3.1. An overarching strategic objective is to ensure that the directorate's activity is aligned to the Our Manchester Strategy and that the Our Manchester approach is embedded throughout the directorate. The Our Manchester Strategy provides the overarching framework and priorities for action by the Council and partners from all sectors over the next 10 years. These priorities are known as the 64 'We Wills' and in order to be able to achieve these high-level goals there must be a radical change in the way that the council and other organisations across the city operate. This radical change is the Our Manchester approach.

3.2. The Our Manchester approach is a redefined role for the Council and public services as a whole. It puts people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries, and changing the way that the council works to reflect this. It is about listening, then learning, then responding. It is about creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. Finally it is about working together more, by building long term relationships and having honest conversations that are 'solution focussed' which give a say and role to both those who need services and those who provide them.

3.3. Together with the other Directorates of the Council, Children and Families Directorate will deliver the shared vision and objectives set out in Our Manchester. Our approach will be one of *working with* children, families and wider stakeholders in the city, *not doing to,* consistent with the Our Manchester approach. There will always be instances where public services have to take direct action in order to protect children; even then our overall approach will be to work alongside children and families, equipping and enabling them to succeed, safeguard and protect children and young people.

3.4. In addition, the context set out in Section 2 highlights the Children and Young People Plan and Work and Skills Strategy priority areas in which the work of the service is set. Such priorities are translated into the key areas of focus for the service:

3.5. <u>Children's Services</u>

- Supporting children and families through an Early Help Offer (including Youth Justice)

- Developing an effective integrated social care, education and health assessment, planning and commissioning service for children and young people with a learning disability
- A responsive and safe “front door” from contact via the MASH through to assessment by a qualified Social Worker
- Improving the quality and consistency of practice
- Safely reducing the number of Looked After Children
- Continually improving the experiences and outcomes for Looked After Children and Care Leavers
- Improving the range and quality of Residential, Fostering & Adoption provision
- Workforce development to ensure the staff are confident, have the right skills, and are supported to work in new ways

3.6. Education and Skills

- A year’s focus on Reading, to support engagement and success in both formal and informal learning
- Securing improved outcomes, particularly at GCSE, and continuing to improve the quality of the school system and its provision **including for** children with SEND
- Improving the quality, relevance and accessibility of pathways into further learning and employment
- Securing sufficient good quality school places
- Integrating relevant early years services into early help through a platform of schools as anchor institutions
- Ensuring the voice of children and young people is a key influencer in decision making and services that affect their lives
- Developing youth and play services through a new relationship with Young Manchester
- Developing the MAES offer in the context of new Greater Manchester commissioning frameworks

Delivery of Objectives and Savings

4.0. The Directorate Budget

4.1 The current Directorate budget for 2016/17 is summarised in the table below.

Service Area	2016/17 Gross Budget	2016/17 Net Budget	2016/17 Budgeted Post (FTE)
	£,000	£,000	
Children's Services	77,332	67,861	780
Education and Skills	514,157	31,151	569
Directorate Core and Back Office Services	3,573	3,581	92
Total	**595,062**	**102,593**	**1,441**

4.2. The budget 2017-20 by business areas is provided in **Appendix 1**. The approved adjustments to the current base budget reflect:

(i) SEN grant – from 2017/18 treated as a specific grant instead of a cash limit allocation (£0.383m); and

(ii) Savings 2016/17, the full year effect of proposals developed in the 2016 process, detailed below (2017/18 £0.473m).

	2017/18
	£'000
Early help case loads review	323
Public Health services	250
Free travel policy	-100
Total	**473**

Early help case loads review £0.323m
In 2016/17 it was agreed early help key worker caseloads would be increased to working with circa 8-10 families at any one time (in line with other authorities). The impact of this was to create additional capacity. This has enabled vacant posts to be deleted and a cashable saving of £0.648m. Implementing from the end of September 2016 generated a half-year saving (£0.323m) in 2016/17, and a further £0.323m from the full-year effect in 2017/18.

Public Health Services £0.250m
Responsibility for commissioning public health services started to transfer to local authorities in 2013/14 and was completed in October 2015. The expenditure on specific public health services for children is now one of the four major areas of expenditure from the public health grant. The public health grant allocation for Manchester in 2017/18 will be £53.250m, a reduction of £1.346m compared to 2016/17. This reduction will be met by efficiencies across all major areas of public health expenditure including sexual health, wellbeing services and children's public health. However it is important to note that because Greater Manchester (GM) authorities are part of the 100% business rates retention pilot, the public health grant in GM is moving to be funded from business rates in 2017/18.

Free Travel Policy £-0.100m
Free travel seeks to support parental preference in choosing a school, particularly for children and young people from low income families, children and young people who are looked after or have been previously looked after and those who live in homeless or temporary accommodation. It is also intended to support regular attendance for those children travelling longer distances to and from school each day, and therefore reducing potential negative attendance/social care/housing issues. It was previously proposed that the policy agreed in 2015 for incremental implementation is applied to all applicants for the primary and secondary free travel passes in the school year

2016/17, not just those applying within the reception, year one, year seven and year eight cohorts, as would have been the case under a continued phased implementation. This saving was additional for 2016/17 only and needs reversing 2017/18 onwards as the planned budget already included this reduction from 2017/18 onwards.

(iii) 2017-20 Savings Proposals

Education and Skills saving proposals detailed at Section 7 below 2017/18 £1.221m, 2018/19 £0.220m and 2019/20 £0.180m.

4.3. This reduces the 2016/17 net budget from £102.593m to £100.516m 2017/18, £100.296m 2018/19 and £100.116m 2019/20.

4.4 Grant Programmes

In addition to the Dedicated Schools Grant the Directorate's budget includes a range of other service areas funded through government grant which are summarised in the table below and accompanying notes. At this stage, the 2017/18 budget assumptions assume an equivalent level of grant to 2016/17 and budgets are updated in year as grant announcements are made. They are reflected in the gross expenditure budget detailed at Appendix 1.

Grant Programme	**Business Area**	**Grant Funding £'000**
Private Finance Initiative	Education and Skills	3,664
Youth Justice	Children's Safeguarding	1,131
Talk English	Education and Skills	620
Remand	Children's Safeguarding	212
Adult Education and Skills	Education and Skills	7,780
Troubled Families	Children's Safeguarding	3,281
Staying Put	Children's Safeguarding	497
Special Educational Needs and Disability Implementation Grant	Children's Safeguarding	435
School Improvement Fund	Education and Skills	TBC
High Needs Strategic Planning Fund	Education and Skills	235
Total		**17,855**

The details on each of these grants are as follows:-

(i) **Private Finance Initiative** – Education and Funding Agency grant related to two Manchester schools which have a 25 year contract with a provider for facilities management.

(ii) **Youth Justice** - Supports services to respond to and reduce offending behaviour; addressing the risk factors associated with it.

(iii) **Talk English** – A specific programme to support and develop English language skills and integration within communities.

(iv) **Remand** – a contributory grant in respect of children remanded to youth custody, for which the full costs are met by the respective Local Authority.

(v) **Adult Education and Skills** – A grant from the Skill Funding Agency to support adult learning to Manchester residents.

(vi) **Troubled Families –** A results based funding scheme that provides financial incentive, attachment fee and sustained success payments to get to improve outcomes for troubled families.

(vii) **Staying Put -** grant to contribute to the financial costs that enable young people to continue to live with their former foster carers once they turn 18.

(viii) **Special Educational Needs Grant Implementation Grant –** A Department for Education transition grant to support special educational needs and disabilities reforms.

(ix) **School Improvement -** The Secretary of State announced on the 1st December an annual school improvement grant for local authorities, starting from September 2017. At a national level it will provide £50 m per year for school improvement. Manchester's allocation is yet to be confirmed.

(xi) **High needs strategic planning fund** - Government has announced funding for councils to carry out a strategic review of their high needs provision.

4.5 The Dedicated Schools Grant and Schools Funding Reform

The Dedicated Schools Grant (DSG) is the source of funding for the provision of education for children aged 2-15. It comprises three funding blocks (Schools, Early Years and High Needs). Use of DSG must be made in accordance with schools funding regulations.

In July the government announced that the planned implementation of the national funding formula (NFF) for 5-16 year olds and high needs would be postponed from 2017/18 to 2018/19. A consultation on the proposed Schools and High Needs National Funding Formulae has now been launched and will run to March 2017. The detailed proposals and potential impact on Manchester are outlined in a report elsewhere on the agenda. The key headlines from the consultation are:

- The proposed introduction of a school-level national funding formula where the funding for each school, largely based on the funding each pupil attracts to their school, is determined nationally;

- Implementation of the proposed formula for mainstream schools from 2018/19, allocating funding to local authorities to distribute for one year, and then to schools directly from 2019-20;

- The proposed creation of a central schools block for local authorities' ongoing duties;

- Proposals to ensure stability for schools through retaining the minimum funding guarantee and transitional protection and by providing practical help, including a restructuring fund; and

- A proposed change to the High Needs Block resource distribution from lump sum to part formula based. This element of the grant is proposed to be 50% lump sum based on historic spend and 50% formula funding.

The DSG is a key consideration in the Directorate budget. For 2017/18, the grant is estimated at £497m and this is reflected in the gross expenditure budget under Education and Skills provided at Appendix 1. The schools funding system has national restrictions to minimise fluctuations in funding for schools, but consequently also limits flexibility and makes the management of overall resources, particularly for the high needs block, more challenging. The Manchester Schools Forum has worked closely with the Director of Education and Skills to ensure the on-going financial sustainability of services within the high needs block, which support schools, but this is becoming increasingly difficult with increasing volume of Special Educational Needs (in proportion to the City's growing population) and a fairly static budget.

5. Timeline of Key Changes

5.1 The Children's Services Single Service Plan outlines the priority areas of activity required to improve the overall level of provision for children receiving services from social care, which will ultimately lead to a reduction in children looked after and children in need which will allow savings to be realised. The plan is reviewed and refreshed on an annual basis.

5.2 High level milestones are as follows:

Dates	Activity
2017/18	Move to regional adoption agency arrangements
By Apr 2018	Revision to Special Guardianship Order rates
April 2018	Implementation of locality based Sure Start Model
2018/19	Early Help Strategy leads to reduction in demand
2019/20	LAC numbers reduced to be in line with Core City averages

6. Children's Services Budget Proposals

Key Changes and Savings

6.1. Service Efficiencies

The Looked After Children Investment and Capacity Model - £0.886m 2017/18, £0.993m 2018/19 and £1.019m 2019/20.

To support the Improvement Plan, the City Council approved the deployment of £24.254m over 2015-21 to invest in new working arrangements, evidence based practice and capacity to:

- Develop an effective city wide 'early help' offer;
- Improve the consistency and quality of social work practice;
- Safely reduce the number of Looked After Children over four years by 382;
- Shift 310 foster care placements from independent foster care agencies to Internal foster carers; and
- Implement manageable workloads – A target average of 18 children per qualified social work practitioner across the service will be introduced.

As part of the budget preparation work the investment strategy combined with the investment options to increase social work capacity has been refreshed in order to give an overall sustainable investment approach for Children's Services. In addition to the planned savings already agreed in the investment strategy of £19m 2016-21, the update provides proposals for savings of:

- Children Services' commissioning (£0.886m) from 2017/18;
- A revision to Special Guardianship Order rates (£0.300m) from 2018/19;
- A re-profile of the LAC reduction 2016/17 activity targets for foster care shift of 33 (25% in 2017/18 and 75% 2018/19) and adoption of 24 (100% 2018/19);
- The introduction of a further 100 LAC reduction activity target (internal fostering) in 2019/20 (£1.019m) which was previously nil.

The saving options are summarised in the table below:

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Commissioning	886		
SGO rates review		300	
Recovery of forecast shortfall on activity targets		693	
Additional LAC reduction target 19/20 – 100			1,019
Total	**886**	**993**	**1,019**

Rather than releasing these savings towards the Council’s savings target it is proposed to retain the saving to maintain the financial balance on the overall investment model, a full update is provided below.

Looked After Children (LAC) Investment Model

6.2. The LAC Investment Model was established to:

- provide the up-front investment for the Troubled Families and Early Help model to help deliver savings from reduced LAC numbers which would then fund these service on an on-going basis; and

- provide further support via additional social work capacity and targeted interventions and evidence based practice to provide better support to children and young people to either prevent them from becoming looked after, or to move them more quickly to permanence.

The objective was also to deliver additional savings to the revenue budget which could be ‘cashed’ as the number of looked after children reduced.

6.3. The initial LAC Investment Strategy totalled £14.094m over 2015-17, front loaded with £11.461m deployed in 2015/16 and £2.633m in 2016/17. By 2017/18 the model was forecast to be financially self-sustaining. A further £10.160m investment was agreed from the use of the Council's reserves and transferred to the Children’s Investment Fund Reserve to meet the cost of additional social workers over a period of four years. It was agreed in June 2016 that in order to deliver the pace of improvement and ambitions the service needs to move to a caseload of 18 per social worker.

6.4. Since 2010/11 the population of Manchester has increased and is more transient, between July-September 2016 approximately 1,000 children moved into the authority. In addition, the number of UASC children and young people has increased over a similar period from 26 to 42; all of whom have additional needs that extend beyond their counterparts. The Home Office meet basic placement costs for these young people; however this does not take into account Social Work time and any additional needs/specialist provision.

6.5. Despite the above, since 2011 the number of looked after children per 10,000 population has continued to reduce from 113 per 10,000 population in 2011 to 103 as at 31 October 2016. In addition the annual spend on placements has been reduced by c£14m. This is due to reductions in numbers, the change in the mix of types of placements and better procurement activity by working regionally and by negotiating additional cost reductions based on volume. This has resulted in the average placement cost for fostering and residential being £9 p/w less than 2015/16 and £66 p/w less than 2010/11.

6.6. The targets developed in 2014 were based on the best information available at that time. These assumed that 310 placements would shift from external to internal foster carers and an overall reduction of 382 in the number of Children Looked After. This was supported by additional investment to increase payments and support to internal foster carers, the investment in early help and additional capacity in the Fostering and Adoption services.

6.7. More detailed modelling work is now well progressed and reaching completion to enable a much deeper understanding of the LAC population and what needs to be in place to enable the planned reduction to be achieved. The service are still on target to reduce numbers to the core cities average of 900-1,000 by 2019/20, however this will take longer to achieve than originally planned.

6.8. The detailed work has shown that:

- Both the level of need and the nature of the profile have been underestimated. Needs are increasingly more complex (teenagers, mental health, significant behavioural issues and emotional needs);.

- Of the 512 children placed with external providers, over 51% have been with their current carer for over two years. There is therefore a ‘legacy cohort’ who are now in stable placements;

- There is a continued need to ensure that the MASH is operating effectively to improve the quality and reduce the number of inappropriate referrals to Children's Social Care; and

- There are limited interventions to deal with crisis interventions to prevent people from becoming looked after.

6.9. With the changes that have been made over the last eight months there is now confidence that the numbers of children ‘unnecessarily’ becoming looked after will reduce and those that do enter the looked after system will have a more timely plan of permanence outside of Local Authority care. For those children who form the ‘legacy’ the objective is to secure an alternative plan of permanence for them (Special Guardianship or similar) and the combination of both approaches will enable the reduction in ‘looked after’ children to circa 1,000, which is comparable to core city averages and as originally predicted, to be achieved. However, the impact of this ‘legacy’ means the delivery of the planned savings at the scale and pace aimed for has not been achievable.

6.10. The numbers of children turning 18 and requiring Leaving Care support are also increasing and need to be included within the overall financial planning for the budget next year.

6.11. The table below sets out the actual trend in LAC numbers and the further target reductions. The current number of looked after children is 1,216.

	14/15	15/16	16/17	17/18	18/19	19/20	20/21
External Residential	71	52	53	43	37	37	37
External Fostering	620	534	450	330	271	271	271
Internal Residential	35	35	31	18	18	18	18
Internal Fostering & TACP	331	349	395	438	386	331	309
	1,057	970	929	829	712	657	635
Other LAC including UASC	234	267	287	307	327	347	365
Total Reported LAC	1,291	1,237	1,216	1,136	1,039	1,004	1,000

Note: Other LAC includes UASC (fostering and residential), placed with parent, supported accommodation (non-leaving care), adoption awaiting legal sign off

6.12. There is confidence that the above planned reductions will be achieved due to:

- Increases in internal fostering numbers are being achieved – it is anticipated an additional 42 fostering households will be recruited. The ‘Manchester Offer’ now compares favourably with Independent Foster Care counterparts;

- There is a sustained improvement on adoption numbers with a forecast of 90 children being adopted and more timely in this financial year;
- There has been success in moving away from residential care – Manchester has 6% of LAC in residential care compared to 8% nationally; and

- The development of the Adolescent Support Unit (which is due to come on line in January 2017). This will have a critical role in reducing the number of admissions, with an estimated 42 per annum being prevented from entering the looked after system at an average cost of £42k each.

6.13. However for the reasons set out above, it will not be possible to deliver the savings from the LAC investment model as originally articulated and in the time period originally envisaged, although there is confidence that the savings can be delivered in future years. Specifically, there is a forecast shortfall on the 2016/17 targets for external fostering and external residential that creates a deficit in the overall model. The planned savings for 2017/18 to 2019/20 are £2.898m, with £0.886m for 2017/18, rising to £1.879m in 2018/19 and £2.898m in 2019/20. Rather than releasing these savings towards the Council’s savings target it is necessary to retain the saving to maintain the financial balance on the overall model.

6.14. It should be noted that the position has been compounded by the ending of the Troubled Families investment in 2019/20. The funding and development of the Troubled Families and early intervention work is being reassessed as part of the work outlined in this paper to develop effective early help and preventative services.

6.15. The financial implications of the above are summarised in the table overleaf:

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Financial Shortfall	1,476	2,457	3,535
Less One-off slippage in recruitment funding from 2016/17	(962)	0	0
Add additional costs for leaving care	872	872	872
Sub Total	**1,386**	**3,329**	**4,407**
Less assumed delivery of saving	(886)	(1,879)	(2,898)
Net Additional Cost	**500**	**1,450**	**1,509**

6.16. The assumptions in the model continue to be developed and refined in the light of experience and there remain significant risks to delivery, particularly in 2017/18. The additional cost 2018-20 has been added to the Executive's proposals for growth and pressures.

6.17. The long term strategy is to create the conditions that enable practitioners to deliver transformational interventions with children and their families. Whilst this type of change is not a 'quick win' the evidence to date indicates the impact of the early help service and continuing improvement in the responsiveness and performance of Children's Social Care. It is this long term approach that will enable the realisation of sustainable savings. This reform is underpinned by a principle of strength based conversations and that it is better to intervene sooner in the right way; which will ultimately reduce the overall number of 'looked after' children; for which there are associated targets/milestones to track progress.

6.18. This work aligns with the three pillars (Single Hospital Service, Single Commissioning Function and Local Care Organisation) of Manchester's Locality Plan. This will include the assessment, planning and commissioning for those *Children and young people who have complex needs, are placed in high cost provision and require a multi-agency approach"* subject to a single commissioning function in 2017/18.

6.19. In addition the Early Help offer to be continually developed to work with children, families and adults with additional needs; incorporating the reconfiguration of early years new delivery model to include Sure Start Children's Centres to deliver better, more integrated service through a locality based and school led model. This will also compliment the joint commissioning of the Health Visiting service, alignment with the current and ongoing review of community health services; all delivered from within the LCO and with an increased focus on acting as the lead professional for children and families in need of additional but not specialist support.

6.20. Whilst there is still a requirement that the investment model will deliver financial savings to the Council this will not now be achieved in the three year budget period. It also needs to be considered in the context of the developing joint commissioning arrangements and ensuring that appropriate funding arrangements for placements are agreed with Health Partners as part of the overall measures being developed as part of this report.

7.0. Education and Skills Budget Proposals

Key Changes and Savings

7.1 Service Efficiencies

(i) Education Services Grant (ESG) - £1m 2017/18. This reflects education funding reforms and the role of schools. The ESG grant is currently £5m, and expected to fall to £2.6m in 2017/18 and £1.3m in 2018/19 based on government proposals to keep a retained duties per-pupil amount of £15, funding of which will move to the Dedicated Schools Grant (DSG) and end the general duties element, currently £77 per-pupil from September 2017, with a transitional amount for the period April to August, now confirmed at £27.50 per pupil.

The government has subsequently confirmed those areas of activity currently funded through the ESG which can in future be funded from the Dedicated Schools Grant, with the permission of the Schools Forum. In addition, the government has also announced some replacement funding for school improvement that will be provided to local authorities to work with maintained schools; with amounts still to be announced. Options to address the reduction in grant include a combination of: further use of the DSG (£0.400m); de-delegation of funding from the DSG by maintained schools, agreed and approved by Schools Forum (£0.500m) and use of the recently-announced school improvement grant (expected to be at least £0.100m) as outlined above, the split between these areas may vary when further information is available.

(ii) Closed School Budget £0.221m 2017/18

Re-use of closed school sites for education purposes reduces the need for the budget. The achievement of the saving is dependent on demolition of building in a closed school site that is earmarked for housing.

(iii) School Crossing Patrols - £0.220m 2018/19

The Council currently funds School Crossing Patrols at 86 school crossings across the City. These crossings have been identified through risk assessments which consider a range of factors, including numbers of pedestrians, traffic flows and provisions at the site which are relevant to the safety of pedestrians. Crossings with an Amber or Red risk assessment are provided with a patrol. Nine Green rated crossings have patrols funded by individual or groups of schools.
Of the current 86 crossings, 42 are Red-rated and 44 are Amber-rated. Capital investment of £800k (figure to be confirmed) including design fees will be made during the period 2017-2019 in a proportion of

patrolled school crossing sites across the City to improve safety. Work has been commissioned to provide an outline design solution for each of the crossings currently provided with a patrol, which will include measures to improve pedestrian safety; such measures could range from new signs and lines to new guardrails, traffic calming, zebra crossings and new traffic controlled junctions. These improvements will benefit pedestrians at all times of the day, not just during the journey to and from school. Following this investment, associated improved safety and subsequent reassessment of the crossing sites, it is anticipated that a reduced number of crossings will be rated Red and Amber, and an associated saving will be made following the investment programme in 2018/19. All crossings rated Red and Amber will continue, as now, to be provided with a school crossing patrol.

7.2 Service Improvement

(i) Reconfiguring the Early Years New Delivery Model, including Sure Start Children's Centres, to deliver better, more integrated services through a locality-based school-led model £0.180m 2019/20

The Council, working with partners, is committed to ensuring that children have the best start in life and families are supported through the Early Years Delivery Model. The Model, incorporating an integrated assessment and intervention pathway from birth to the age of 5, is operated by an integrated workforce of health visitors and early years outreach workers, and utilises the Council's Sure Start Children's Centres (SSCCs) as bases for a combination of universal, targeted and specialist provision for children and families. The recent Budget Conversation demonstrated support for services and locations for children and families, with a very small number of specific comments in support of Sure Start Children's Centres; they were not, however, amongst those services and facilities considered most important by those engaging in the Budget Conversation.

It is proposed that the work of the Early Years Delivery Model is fully integrated into the Early Help system in the City to provide better targeted and sequenced early help and support for children and families, particularly in the early years and at Levels 2 and 3 of the early help framework. This approach would see the development of 12 school-led groups of SSCCs, one within each of the 12 neighbourhood areas and each linked to one of the three Early Help Hubs in the City.

The proposed groups of SSCCs would enable, with host schools providing local leadership, the development of a coordinated early intervention workforce. This workforce would comprise in due course, through the LCO, health visitors working under the recommissioned contract and workers currently engaged in early years outreach and early help, as well as school staff where appropriate. The groups would also provide access to a range of commissioned interventions. The setting for most SSCCs, within or immediately adjacent to primary

schools, would also provide access to co-ordinated parent and community capacity.
Each group of SSCCs would have shared management and leadership, ensuring that services continue to be delivered across each group area. Each SSCC would deliver the full Sure Start Core Purpose linked to a network of local providers of early learning and primary schools. Each SSCC would also, through links to the Early Help Hubs, provide a setting for work with children aged up to age 11, and their families. Each Early Help Hub would therefore work through the 12 groups of SSCCs.

There are currently 38 designated SSCCs across the City. This option would see this reduced to 30, through the de-designation of 8 centres identified through an analysis of need and geographical proximity. The focussing of resources in the remaining 30 centres would enable each group to extend its reach into areas of need and provide geographical coverage, and would sustain settings for the delivery of early years services across the City. The premises of de-designated centres would be transferred for alternative use for children and young people, including through schools (for provision for very young children) or community use.

The proposed approach would improve the focus and integration of the existing significant investment in outreach workforce and interventions, whilst providing a more tailored and efficient service through focussing the full Sure Start Core Purpose in the 12 groups and reducing premises and setting related costs through transferring 8 existing Sure Start Children's Centres premises to alternative use. The proposed approach would see no reduction in the scale of the outreach workforce, enabling capacity to be focussed in areas of need and, where appropriate, through settings other than designated SSCCs

The initial target implementation date for the first phase of changes would be April 2018, although it is recognised that further developments with regard to the LCO and integration of services for children may require this date to be put back to April 2019.

Statutory consultation is underway across the City regarding the proposal to cease the designation of 8 SSCCs. Although the proposals would not be fully implemented until April 2018 this consultation began on 3rd November 2016 and will finish on 10th January 2017 to enable a decision to be made as part of the Council’s 3 year budget strategy.

The 8 SSCCs currently the subject of consultation regarding de-designation are: Cheetham Park SSCC; Broadhurst Park SSCC; St Clement’s SSCC; Claremont SSCC; Didsbury Park SSCC; Didsbury West SSCC; Chorlton Nell Lane SSCC; and Brooklands SSCC.

Budget Growth and Pressures

7.3. The Executive's budget proposals provide for additional funding related to population growth and other pressures for children and families over the period 2017–20. The Education and Skills budget pressures are summarised in the table below.

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Free Travel	65	130	195
Home to School SEN Transport	350	700	1,050
Total	**415**	**830**	**1,245**

(i) Free travel £0.065m per annum 2017-20, reflecting both an increase in pupil numbers and also difficulties in place planning, caused in large part by very high levels of children arriving in year looking for a place, which is triggering increased eligibility for the scheme (demographic pressure approximately 165-180 pupils p.a.); and

(ii) Home to school SEN transport, £0.350m per annum 2017-20, reflecting the new provision in the children's act 2014 and the known increase in pupil numbers with special educational needs.

7.4. Council spending plans supported by the centrally retained Dedicated Schools Grant total c£9m. The draft budget includes a pressure (held corporately) of £4.0m in 2018/19 relating to DSG reforms in relation to the High Needs Block – this may constrain the City Council's ability to continue with same level of support from 2018/19 onwards. £4m has been set aside as mitigation against the potential loss of flexibility and grant in this area.

8.0. Technological Support to Implement Changes

8.1 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from a Council and GM perspective. How the authority structures, governs and utilises data will be pivotal to the successful delivery of these agendas. Further investment will be required in how technology and the systems of the Council and partner organisations are utilised to deliver further savings and efficiencies. This will require a continuation of the ICT transformation journey.

8.2 ICT will work closely with the Directorate to identify ICT solutions that comply with the Information and ICT design principles and to develop robust business cases to support their development. The Capital Strategy sets out proposals for developing the next stage of investment in ICT.

8.3 Key priorities include:

- Implementation of a new Social Care system, aligned with best practice in Early Help and Children's Social Care. Integration of Social Care and Education System, providing a centralised view of Manchester Children and maintaining the Education (ONE) system upgrade strategy.

- Investment to support collaboration with partners, including Health and Police – including the ability to share intelligence, partners to access the required systems and providing tools, such as Video Conferencing and File Sharing.
- Developing systems and technology to better support Early Help within Manchester, including better demand capture tools and improved workflow.
- Youth Justice, GM Collaboration - including the potential development of a GM Youth Justice System
- Digitisation of Safeguarding Records – these are currently paper-based. Any solution needs to be compliant with statutory requirements
- Devise ICT strategy for Manchester Adult Education Services (MAES), including the implementation of a faster IT network and systems, providing a better learning platform for students

9. Impact on Residents Communities and Customers

9.1 Manchester has a diverse and rapidly changing population and it is important that the Council is able to manage its business priorities with due regard for the wide-ranging and complex priorities and needs of the City's residents. The business planning process helps the Council to consider and communicate how it will fulfil the requirements of the Public Sector Equality Duty in the development of its business priorities. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City.

9.2 The Council is proud of its accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorates' equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment. The directorate's priorities support the EFLG and its activities will continue to reduce inequalities through effective partnership working in particular those with health, schools, independent providers, other local authorities and the voluntary and community sector.

10. Workforce Impact

10.1 The Our Manchester approach is grounded in strengths based working, building effective relationships and innovation. Within a children's services context the move over recent years to a more asset based approach to assessment which starts from the point of "what matters to you" instead of "what is the matter with you" is a key aspect of Our Manchester. The testing of strengths based conversation training, the development of new Early Help assessments and the introduction of the Signs of Safety model of social work are all important building blocks in changing how the service works. Over and above this, the children's leadership development programme is complementary to the Our Manchester principles and behaviours. Leaders and managers are supported to develop their own skills and behaviours while at the same time learning tools and techniques to support them to develop their staff teams. Partnership working with Leeds Council is enabling the sharing of learning around restorative leadership techniques. Children's Services will continue to be an active champion of cultural and behavioural change to embed Our Manchester as an approach.

10.2 The workforce implications for the children's social care represent a continuation of existing developments as expressed in the workforce strategy; a sufficient, stable, skilled and confident workforce; a culture of success; a strengths-based approach; strong and effective leadership; clarity of expectation (ask) and support and development (offer); manageable caseloads that support evidence-based practice and decision making and effective relationships; dynamic recruitment and retention strategies; continued professional development, and, the right conditions of change or enablers.

10.3 Delivery of the proposals will require leaders and managers to continue to drive the new culture of collaboration, high support and challenge to drive up the quality of practice. This leadership style will be particularly important when responding to national policy which does not align with the challenges of children's needs, service demand and provision, e.g. UASC transfer scheme.

10.4. The investment in 2016/17 to create new additional social work and social work management posts mean that caseloads should be averaging 18 by the financial year 2017/18. This, together with the attention to creating the right conditions for change, will enable social workers to practice more effectively, which will result in more timely outcomes for children and a resulting reduction in cost. The focus on early help and the effectiveness of arrangements at the front door, as well as permanence will reduce demand on the system.

10.5. The proposals on the wider role of schools will require staff to continue to maintain and develop effective relationships with schools so that they are able to influence schools to develop their roles at platforms of integrated neighbourhood services.

10.6. The anticipated FTE impact of the proposals is minimal and likely to be in the region of 19fte.

Appendix 1: Summary Budget Position

Service Area	2016/17			2017/ 18			2018/ 19			2019/ 20		
	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)
	£,000	£,000		£,000	£,000		£,000	£,000		£,000	£,000	
Children's Services	77,332	67,861	780	77,009	67,538	780	77,009	67,538	780	77,009	67,538	780
Education and Skills	514,157	31,151	569	527,859	29,397	569	527,639	29,177	556	527,459	28,997	550
Directorate Core and Back Office Services	3,573	3,581	92	3,173	3,581	92	3,173	3,581	92	3,173	3,581	92
Total	**595,062**	**102,593**	**1,441**	**608,041**	**100,516**	**1,441**	**607,821**	**100,296**	**1,428**	**607,641**	**100,116**	**1,422**

Appendix 1: Summary Budget Position

Service Area	2016 / 17	2017 / 18			2018 / 19			2019 / 20		
	Net Budget 2016/17	Growth and other Budget Changes	Savings	Net Budget 2017/18	Growth and other Budget Changes	Savings	Net Budget 2018/19	Growth and other Budget Changes	Savings	Net Budget 2019/20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Children's Safeguarding										
LAC Placements total	30,475			30,475			30,475			30,475
Permanence & Leaving Care total	12,550			12,550			12,550			12,550
Children's Safeguarding Other	24,836		(323)	24,513			24,513			24,513
Education & Skills										
Education Service	4,604	(383)	(721)	3,500			3,500			3,500
School Organisation and Planning	993			993			993			993
Transport Services	6,016			6,016	(220)		5,796			5,796
Quality Assurance and QA Early Years	16,413		(250)	16,163			16,163	(180)		15,983
Early Help and Youth Strategy	3,125			3,125			3,125			3,125
Manchester Adult Education Service	0			0			0			0
Children's Core and Back Office Services	3,581		(400)	3,181			3,181			3,181
Total	102,593	(383)	(1,694)	100,516	(220)	0	100,296	(180)	0	100,116

Appendix 2: Savings Proposals 2017-20

Children's - 2017/18 - 2019/20 savings proposals								
Service Area	Description of Saving	RAG Deliverability	RAG Impact	Amount of Saving Option				FTE Impact (Indicative)
				2017/18	2018/19	2019/20	Total	
				£,000	£,000	£,000	£,000	
Efficiency and Improvements								
Children Services	LAC Model incl Commissioning Reviews	Amber	Amber	886	993	1,019	2,898	
Education	Dedicated Schools Grant - recharge for statutory duties replacing Education Services Grant	Amber	Amber	600			600	
	Dedicated Schools Grant - redirect IT system costs and overheads replacing Education Services Grant	Amber	Amber	400			400	
	Closed School Budget - reduced requirement due to re-use of school sites	Green	Green	221			221	
	Impact of School Crossing Patrols Investment	Green	Red	0	220		220	13
Total Efficiency and Improvements				**2,107**	**1,213**	**1,019**	**4,339**	**13**
Service Improvement								
	Reconfiguring the Early Years Delivery Model including Sure Start Children's Centres	Red	Red			180	180	6
Total Service Improvement				**0**	**0**	**180**	**180**	**6**
Children Services	Virement to meet agreed pressures	Amber	Amber	-886	-993	-1,019	-2,898	
Total Childrens				**1,221**	**220**	**180**	**1,621**	**19**

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny 20 February 2017

Subject: Adult Social Care Budget and Business Plan: 2017/18 -2019/20

Report of: Strategic Director Adult Social Services, Joint Director Health and Social Care Integration

Purpose of the Report

This report provides a high level overview of the priorities to be delivered in Adults Social Care and Public Health throughout 2017-2020 alongside the Directorate's saving proposals. Accompanying delivery plans which set out the performance, financial, risk management and workforce monitoring framework were provided for scrutiny committees which took place in late January / early February.

The report sets the savings the Directorate proposes to make in the context of its objectives. The delivery plans will provide a framework to be used throughout 2017-2020 to monitor performance towards objectives, workforce development, risk and financial outturn. Taken together, the five Directorate reports and delivery plans show how the Directorates will work together and with partners to progress towards the vision for Manchester set out in the Our Manchester Strategy.

The vision, objectives and key changes described in this report will be communicated to staff across the Directorate to ensure that staff at all levels of the organisation understand how their role contributes towards the vision for the city.

Recommendations

The Executive is recommended to approve the final proposals in this report and that these are included in the budget to Council.

Wards Affected: All

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting the Corporate Core in driving forward the growth agenda with a particular focus on integrated commissioning and delivery which will focus on utilising available resources effectively and developing a diversity of providers including entrepreneurs and social enterprises. This will provide opportunities for local jobs
A highly skilled city: world class and home grown talent sustaining the	Integrated commissioning will focus on utilising available resources to connect local people to

city's economic success	education and employment opportunities, promoting independence and reducing worklessness. Working with schools to engage and support our communities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote independence, early intervention and prevention, the development of evidence-based interventions to inform new delivery models integration with partners where appropriate.
A liveable and low carbon city: a destination of choice to live, visit, work	Development of integrated health and social care models and local commissioning arrangements that connect services and evidence-based interventions to local people and enable families and their workers to influence commissioning decisions aligned to locally identified needs. Schools as community hubs playing an essential role in reaching out to communities and leading early intervention and prevention approaches at a local level
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the revenue budget submitted to the Executive on 8 February 2017.

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Background documents (available for public inspection):

None

1.0 About Adults Social Care

1.1. The Directorate for Children and Families is responsible for social care services for children and families, public health, and for education, skills and youth services, with statutory responsibilities for safeguarding children and adults.

1.2. In line with the priorities of the Our Manchester Strategy, the Directorate is focused on helping people who have to rely more than most on targeted and specialist services to make the changes in their lives which will see them become more independent. There is a need to ensure that every child has the best possible start in life and that everyone in the City has the same opportunities, life chances and potential to lead safe, healthy happy and fulfilled lives. Connecting people to the economic growth of Manchester by helping them overcome the barriers to training and jobs is key to this.

1.3. In doing this, public services need to be radically transformed so they are focused around people and communities rather than organisation silos. The Directorate is working across traditional organisational boundaries to bring innovation and new ways of working to the fore.

1.4. Within the wider Directorate, the key vision for Adult Social Care has been set out in the Manchester Locality Plan - A Healthier Manchester – which details the strategic approach to improving the health outcomes of residents of the City, while also moving towards financial and clinical sustainability of health and care services.

1.5. It builds upon the Manchester Strategy which sets a long term 10 year vision for Manchester's future and how it will be achieved. The Manchester Strategy is underpinned by the Joint Health and Well Being Strategy, the City's overarching plan for reducing health inequalities and improving health outcomes for Manchester residents. The Locality Plan sets out how this transformation will be delivered. The plan will be supported by growth, development of skills, education, early years, improved housing and employment. Partners working across Manchester, in the public sector, in businesses, in the voluntary sector and communities, all have a role to play in making Manchester the best it can be.

Budget Consultation

1.6. Since the Budget Options were published in October, the Council has invited residents and stakeholders to tell us what they think about which options they think should be part of the final budget. Of the Budget Options published by the Council in October, £27m was identified from the integration of Health and Social Care as set out in the Locality Plan (a detailed report on which is included elsewhere on this agenda). We know from our earlier budget conversation that services for people with disabilities and mental health problems are making the City healthier and of high priority for the City's residents and that people feel Health and social care, support for the voluntary and community sector and tackling homelessness were important.

1.7. Residents' were asked to comment on our key proposals for integrate Health and Social Care:

'join up more health and social care services. We are already working with NHS partners to join up more and to save money by buying and designing services as one. This makes services more effective by bringing teams and their management together. We could further increase prevention and early help, which would reduce demand on residential care, nursing and hospital admissions'.

64% of respondents agreed with the proposal and a further 24% agreed but with some concerns. 12% disagreed with the proposals. This option has now been revised to reduce the amount of savings which have to be made from the new approach to Health and Social Care, so that these services have the best possible chance to make changes that improve outcomes for residents and so the draft budget proposals now contain £12m savings for Adults Social Care over the three year budget period.

2.0 Adult Social Care – Vision

2.1 The vision for Adult Social Care and Public Health is on the integration of commissioning and services through the three pillars of the Locality Strategy. These are mutually dependent and are:

- ***A single commissioning system*** ('One Commissioning Voice') ensuring the efficient commissioning of health and care services on a City wide basis with a single line of accountability for the delivery of services. This approach will integrate spending across health and social care on high cost/high risk cohort, reducing duplication of service delivery and fragmentation of care;

- ***'One Team'*** delivering integrated and accessible out of hospital services through community based health, primary and social care services within neighbourhoods. Through the combining of resources residents will get integrated services, resulting in improved outcomes (holistic needs addressed) at reduced cost; and

- ***A 'Single Manchester Hospital Service'*** delivering cost efficiencies and strengthened clinical services, with consistent and complementary arrangements for the delivery of acute services achieving a fully aligned hospital model for the City.

2.2 Importantly the commissioners and providers of health and care will come together in a single commissioning function (SCF) to ensure duplication and fragmentation of service provision is removed, that unnecessary costs are avoided, and that our clinical leaders shape the model of delivery most suited to meet the needs of residents in Manchester ensuring that in future they get the right care, at the right time, in the right place.

2.3 The Locality plan sets out the vision where neighbourhood teams of health, primary care and social care professionals work together as a single Local Care Organisation (LCO). These teams will work collaboratively with voluntary and community groups to empower people to increasingly self-care and improve wellbeing.

2.4 This vision also complements the Greater Manchester ambitions brought about by devolution. In effect, the Manchester LCO represents devolution in action: the people of Manchester taking control of the way their own health and care services can best meet their needs. To achieve our ambitions, we are now ready to commission a transformed system that is able to deliver care to support people to live more healthy lives, understands the needs of our population and is able to deliver new models of care.

2.5 The Directorate is a key partner in delivering this vision, and over the timescales of this business plan, adults services will be come integrated with health partners through the three pillars set out above.

Adult Social Care

2.6 Adult Social Care is a key partner in delivering the vision of the Locality Plan, and over the timescales of this business plan, Adults Service will become integrated with Health services, through the 3 pillars set out above.

2.7 Through the continued development of ***One Team*** there will be virtually no waiting times for an assessment as there will be a Trusted Assessor model of delivery – meaning that any relevant competent health or social care professional will be able to undertake a social care assessment and be well trained to do so. The need for face to face assessments will be reduced by offering more technological solutions to help yourself, where online questionnaires will help citizens navigate to solutions and people can directly access community assets that do what they are looking for once the citizens portal goes live in April 2017.

2.8 Through integrated health and social care, the Council and partners will achieve a 20% shift of resources from hospital to community services so that more people can be supported in their own homes, rather than hospital. There will be more locally-based rapid response and high impact services that can intervene earlier to help people who are poorly from deteriorating further and therefore requiring acute or residential care.

2.9 There will be more community assets and communities will be more Age-Friendly and Dementia-Friendly. The City will have at least three more large Extra Care Housing schemes to cater for older people who seek retirement housing with the option for on-site care. There will be a reduction in people dying in hospital and more people dying in their preferred place of choice, preferably at home.

Public Health

2.10 A vision has been set out for the people of Manchester where;

- Every child is offered the support he or she needs through a framework of “progressive universalism”. Children are enabled to meet developmental goals, supported by a loving family and secure attachments, so that they enter school ready and able to learn, make friends and flourish. Services promote positive health behaviours such as breastfeeding, immunisation and a healthy diet;

- Adults are able to support themselves and live healthy lifestyles in gainful employment and in stable households. People are living in strong, supportive social networks in areas of high social capital. Where people have specific needs for support, these should be understood and services should be established to provide the relevant support based on clear needs assessments; and

- People have a healthier older age, live in age friendly environments, and are able to continue to contribute to society in the ways they wish. The role of public health in addressing the underlying causes of ill health is increasingly important as the scale of public services reduce. Lifestyle factors such as poor diet, physical activity, smoking and excess alcohol need to be tackled in the context of socioeconomic determinants of health, such as, employment, income and housing. There is also a need to develop the social networks and connectedness (social capital), that have benefits for health and wellbeing and economic growth.

2.11. Early intervention and prevention services, guided by public health priorities will improve the life chances of adults living in the City and address health inequalities. People will be safeguarded from harm and abuse and wellbeing will be at the heart of everything the authority does for citizens.

2.12. The voluntary and community sector will continue to play a large role in creating neighbourhoods where people want to live and supporting communities that may be more dispersed but face particular challenges or exclusion.

3.0 Adult Social Care and Public Health – Objectives

3.1. An overarching strategic objective is to ensure that the Directorate's activity is aligned to the Our Manchester Strategy and that the Our Manchester approach is embedded throughout the Directorate. The Our Manchester Strategy provides the overarching framework and priorities for action by the Council and partners from all sectors over the next 10 years. These priorities are known as the 64 ‘We Wills’ and in order to be able to achieve these high-level goals there must be a radical change in the way that the Council and other organisations across the City operate. This radical change is the Our Manchester approach.

3.2. The Our Manchester approach is a redefined role for the Council and public services as a whole. It puts people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries, and changing the way that the council works to reflect this. It is about listening, then learning, then responding. It is about creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. Finally it is about working together more, by building long term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.

3.3. Together with the other Directorates of the Council, Children and Families Directorate will deliver the shared vision and objectives set out in the Locality Plan and the Our Manchester Strategy. The ambition, in line with the transformational programme, Our Manchester and the Locality Plan, is to employ a co-production approach, engaging stakeholders across health and social care. Key areas of focus are as follows:

- Whole systems change to improve health outcomes as well as integrated commissioning.
- Improve and transform mental health services to ensure they are more accessible and focus on early intervention
- Move to an asset based model that draws on the whole range of personal, family and community resources to maximise independence and resilience. This is linked to the All Age Disability Strategy and Age Friendly Manchester
- Work with people who have experience of homelessness, the Voluntary and Community Sector, Registered Providers, Faith Groups as well as statutory bodies to deliver the pledges within the Homelessness Charter.
- Invest in prevention to reduce the need for acute interventions and long term treatment;
- Redefine the deal with the citizens so that contacts with services become self service and enable people to organise their own care and support, and ensure that assessments are common, trusted and portable across Greater Manchester;
- Design and commission a new model of care at home in partnership with older people, people with disabilities, stakeholders and providers;
- Focus residential and nursing care on those who can really benefit from it and creating centres of excellence in care that maximise independence and reduce the call for hospital admission;
- Support Carers by creating a Greater Manchester offer to provide consistent advice and support to local and condition based career organisations and integrating all funding and support to Carers;
- Work with employers, educational institutions and professional organisations to strengthen the recruitment, retention, skills and stability of the social care workforce;

- Transform services for people with learning disabilities to provide access to inclusive local services for people with complex needs;
- Ensuring citizens who access the council's services are linked to growth and work opportunities in the city; and
- Continue with the reform of public health that creates heath enhancing work, places and communities and enables citizens to tackle the causes of ill-health and poor wellbeing early and successfully.

Delivery of Objectives and Savings

4.0. The Directorate Budget

4.1. The current Directorate budget for 2016/17 is summarised in the table below.

Service Area	2016/17 Gross Budget	2016/17 Net Budget	2016/17 Budgeted Posts (FTE)
	£,000	£,000	
Adults	173,410	126,353	1,258
Back Office	4,779	4,504	140
Public Health	28,663	27,809	42
Total	**206,852**	**158,666**	**1,440**

4.2 The budget 2017-20 by business area is provided at **Appendix 1**. The approved adjustments to the current base budget reflect:

(i) The full year effect of the savings proposals implemented in the 2016 process, detailed below, covering Extra Care, Home Care and a review of line management and assessment functions (2017/18 £1.065m, 2018/19 £1.814m).

	2017/18	2018/19	Total
	£'000	£'000	£'000
Extra Care	473	1,347	1,820
Line management and assessment functions	125		125
Home Care	467	467	934
Total	**1,065**	**1,814**	**2,879**

Extra care (£1.820m) - the Council has a capital investment plan for Extra-Care and the intentions are set out in the Locality Plan with an additional 295 beds in Manchester in detailed planning and a further 500 proposed by 2019. The savings reflect the cost benefit analysis work undertaken;

Review of line management and assessment functions (£0.125m), note this replaces the review of City Wide services; and

Home care (£0.934m) – employing enhanced care workers, taking on a range of additional tasks currently undertaken by other professionals, the new service will be an integral part of wider system and multi-disciplinary team delivery, using a strengths and asset based approach, to increase independence and reduce demand on it's own service. Strengths-based practice is a collaborative process between the person supported by services and those supporting them, allowing them to work together to determine an outcome that draws on the person's strengths and assets. Modelling work indicates that a 5% saving should be achievable.

(ii) 2017-20 Savings Proposals

Saving proposals detailed at Section 6 below 2017/18 £5m, 2018/19 £3m and 2019/20 £4m.

4.3. This reduces the 2016/17 net budget from £158.666m to £152.601m 2017/18, £147.787m 2018/19 and £143.787m 2019/20.

4.4. Public Health Grant

On 15 December 2016 the Department of Health issued the circular containing the details of the Public Health grant allocations to local authorities for 2017/18. The schedule confirms that the grant allocation for Manchester will be as previously reported, £53.250m, a reduction of £1.346m compared to 2016/17. This reduction will be met by efficiencies across all major areas of public health expenditure including sexual health, wellbeing services and children's public health.

The circular also confirmed that because Greater Manchester (GM) authorities are part of the 100% business rates retention pilot, the public health grant in GM is moving to be funded from business rates. This is in advance of the proposals for the rest of the country. The grant conditions have therefore been removed but there is an expectation that reporting on expenditure will continue under transitional arrangements.

	2016/17 £'000	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Level of Grant/Public Health funding	54,596	53,250	51,865	50,517

4.5. Other Grant Programmes

The Directorate's budget includes other service areas which are funded through government grant. Details on each of these grants are as follows:

(i) Asylum Seekers Adult
This supports the resettlement of refugees who have been assessed as exceptionally vulnerable, their human rights are still at risk in the countries from which they sought refuge, they are unable to sustain

long term security and have no prospect of local integration in the country they sought refuge. Final acceptance of cases are with the UKBA (Border Association) and the UKBA meets the full costs incurred. The funding for 2017/18 is estimated as £2.724m.

(ii) Independent Living Fund (ILF)
The responsibility for ILF transferred to local authorities in July 2015. The grant supports individuals by enabling them to choose how they live in the community, rather than the individual having to move into residential care. The funding for 2017/18 is £2.113m.

5.0. Timeline of Key Changes

5.1. A comprehensive update on progress towards implementing the Locality Plan is detailed in the report Manchester's Locality Plan – A Healthier Manchester, elsewhere on the agenda.

5.2. The next stages of implementation include the deployment of Council staff and resources into the Single Commissioning Function and a procurement exercise to appoint a single provider of integrated health and social care in Manchester, with the intention that there will be a single contract that will include all out of hospital health services, including primary care, adult social care, community health and mental health services.

Dates	Activity
April 17	Single Commissioning Function operational
April 17	Citizens portal goes live
2017/18	Development of models of care, Integrated Neighbourhood teams and front door for LCO function.
Sept 17	First phase implementation of single hospital function (CFLT / UHSM)
April 18	Integrated health and care services delivered through a local care organisation. Pooled budgets and contracting arrangements in place
2018/19	Second phase implementation of single hospital function (PAHT)

6.0. Key Changes and Savings

6.1. It is clear the City Council can no longer deliver an Adult Social Care savings program of any significance in isolation of health partners, without compromising statutory obligations and putting at risk the direction set through the devolution of health and social care responsibilities. Benchmarking information on Adult Social Care also indicates Manchester's already low unit cost:

(i) Compared to its nearest neighbours, Manchester's total unit costs for Adult Social Care were 30.1% below average, and ranked 15th highest in the group (out of 16 authorities).

(ii) Relative to all authorities in England, Manchester's total unit costs for Adult Social Care were 32.6% below the average, and ranked 144th highest in the group (out of 150 authorities).

[source: LG Futures finance intelligence report 2015/16]

6.2. Within the above context however the City Council has relatively high unit cost spend compared to similarly deprived and other Core City authorities in respect of clients with learning disabilities and high spend on mental health, predominantly due to the high number of service users. Both of these services were identified in the budget conversation feedback as priority areas and as such, focus to improve value for money will be progressed through improving joint commissioning arrangements with health partners, a program of which is outlined in the Locality Plan finance report elsewhere on the agenda.

<u>Savings Options: New Options (£12.0m) **(Appendix 2)**</u>

6.3. In the above context and informed by the pressures on Adult Social Care detailed at Section 8, there are no specific additional direct Adult Social Care savings options. The substantive options for savings are partnership based and detailed in the Locality Plan financial report. The partners to the Locality Plan are committed to joint financial planning.

6.4. The build up of the City Council's component of the Locality Plan financial gap is detailed in the Locality Plan finance report elsewhere on the agenda and is summarised in the table below.

Locality Plan Financial Gap	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
- In Scope	17,980	6,534	2,550	27,064
- Out of Scope	4,279	3,515	3,575	11,369
	22,259	**10,049**	**6,125**	**38,433**

6.5. The assumptions include funding for additional costs to support a growing population and implementation of the national living wage. It also factors in estimated additional resource from the new Better Care Fund and the council tax 2% precept. Finally it includes a share of the assumed budget gap and reduction in overall resources available to the Council. In total, the financial gap is £22m in 2017/18 rising to £38m by 2019/20. This includes the position for Adult Social Care and Children's Services. £11.369m relates primarily to Children's Social Care and Safeguarding, included within the locality financial model budget gap build up, but deemed out of scope from the Locality Plan reform pillars in the first year (subject to review in future years).

6.6. The original intention was to include a reduction to the Health and Social Care pooled budget of £17.980m in 2017/18, rising to £24.514m in 2018/19 and

£27.064m in 2019/20 reflecting the financial gap for in-scope services (detailed above). This forms a significant proportion of the total commissioner gap for Manchester. The profile of the Council reductions reflects the front loading of the reductions to RSG and back loading of the additional funding for social care via the Improved Better Care Fund. This has contributed significantly to the financial shortfall for the CCGs and Council (the 'Commissioner Gap') over the three year period and particularly in the first year.

6.7. This level of savings will have to be achieved to put the health and social care economy onto a sustainable footing. However, implementing significant cuts in Council spend will not help if all that happens is people are at risk of staying in hospitals longer than necessary. Research demonstrates that every pound cut in social care creates a 35p pressure for the NHS. What the trends show is that simply cutting budgets does not actually deliver all the savings for either the Council or the 'system'. Demand is increasing faster than the assumptions about demographic change and unless the development of new care models is accelerated with an accompanying level of increased social care investment there will continue to be system overspends and impacts will worsen. In short reductions of the scale originally envisaged cannot be achieved. Taking out too much money too soon will be counter productive and the case for increased adult social care funding at a national level is clearer than ever.

6.8. The detailed savings proposals for the Locality Plan are detailed in a report elsewhere on the agenda. In order to support progress, the Executive's budget proposals include:

- A slower reduction in the contribution to the pooled fund to release savings to the Council of £5m 2017/18, rising to £8m 2018/19 and £12m 2019/20;
- A requirement that a proportion of joint savings with partners is reinvested to fund a proportion of the budget pressures facing Adult Social Care £4.8m;
- Establishing a realistic level of funding to contribute to the pooled budget; and
- Providing additional investment for the ramping up of the new care models, via the bid to the GM Transformation Fund.

6.9. It should be noted that whilst it is expected the pool will deliver savings of £17m by the end of the three years, the contribution includes almost £35m additional investment into adult social care and a net addition of c£23m once the savings target has been taken into account. This is in line with the Improved Better Care Fund which will be £24.4m in 2019/20 (note half of it is funded by a reduction in the New Homes Bonus) and the social care precept element per annum increase in council tax which will generate £8.3m by that year.

7.0. Investment Proposals, Budget Growth & Pressures

Investment

7.1. The Directorate base budget includes £7.3m of investment funding. In 2017/18, funding will be directed to support transforming Adult Social Care as set out in the vision 'Taking Charge' but with £2.5m directed to assist in funding demographic funding. The core spending areas are:

(i) Implementing the Locality Plan - Health and Social Care Integration;
(ii) Community Asset Development - developing low level services at a local level;
(iii) Safeguarding and Statutory Requirements;
(iv) Care Act Compliance;
(v) Reform of Homelessness and Domestic Violence services; and
(vi) Learning Disability Services - investment to deliver the planned service reforms.

7.2. The funding above will play a key role in the integration of commissioning and services through the three pillars and as such deliver better outcomes for Manchester citizens.

Budget Growth and Pressures

7.3. Social care budgets nationally are under extreme pressure. These pressures are well documented. Within Greater Manchester, local authority spending power has reduced by c11% between 2010-15 using government figures and by 24% using the new methodology which adjusts for Public Health and the NHS element of Better Care Fund. Whilst social care spend has remained broadly consistent in terms of the proportion of budgets for GM it has reduced by £65m from 2010/11 (source RA forms) and by over £130m in real terms. The figures for Manchester are £19m and £27m in real terms.

7.4. These pressures are set to continue with GM local authorities facing an average reduction of 29% in their funding available over the current Spending Review period. This is alongside the increasing demands arising from demographic and market pressures, including the increased costs to implement the National Living Wage. There is evidence locally that these reductions are a false economy as they impact disproportionately on NHS spend.

7.5. Within Manchester these pressures are being acutely felt. In line with national demographic growth, the population of Manchester is forecast to grow by 80,000 by 2025. There are approximately 49,500 people aged 65 plus, this equates to 9.7% of the Manchester's total population. This figure is expected to increase above the rate of overall population increase, with people aged 65 plus constituting 10.8% of Manchester's total population.

7.6. With an ageing population who live longer but also in poorer health and with more complex needs, there has been more demand on the health and social care system to meet their needs. Over the past 3 years there has been an 11-

15% increase in admissions to Hospitals in Manchester, this has been fuelled by higher rates of emergency admissions for the 65 plus age group than the national average. There has also been an impact on social work capacity and the ability to support people at home or nearer to home for longer.

7.7. The provider market is fragile with significant concerns around financial viability and the labour market and there is a significant cost impact arising from the implementation of the National Living Wage, with the prospect of further pressure as the City Council begins to prepare to negotiate with providers to adopt the Manchester Living Wage.

7.8. The table below shows the budgeted pressures for Adult Social Care 2017/18 to 2019/20. Further detail on the individual key budget pressures is also outlined in detail below.

Budgeted Pressures for Adult Social Care 2017/18 to 2019/20

	2017/18 Base Correction £'m	**2017/18 £'m**	**2018/19 £'m**	**2019/20 £'m**	**Total £'m**
Mental Health	2.088	0.819	0.819	0.819	4.545
Homelessness	1.500	0.250	0.250	0.250	2.250
Learning Disability	4.640	2.135	1.585	1.585	9.945
Homecare	2.491	0.791			3.282
Sub-total	**10.719**	**3.995**	**2.654**	**2.654**	**20.022**
Resources Identified:					
Investment Funding	-2.500				-2.500
Homelessness: City Review	-0.500				-0.500
2016/17 Recovery Plan	-0.853				-0.853
Locality Plan Resources	-4.676		-0.069	-0.069	-4.814
Sub-total	**-8.529**		**-0.069**	**-0.069**	**-8.667**
Total	**2.190**	**3.995**	**2.585**	**2.585**	**11.355**

7.9. There are significant pressures on social care budgets due to the full year effect of demand in 2015/16 that occurred after the budget was set, the underestimation of the complexity of need for new placements for people with learning disabilities and increased demand within 2016/17, which has increased further since the summer.

(i) Mental Health

Continued demand for placements, including for older people with dementia, is putting increased pressure on the budget. The number of clients has increased from 572 in 2014/15 to 657 in 2016/17 (14.8% increase). The increase in clients is being driven from factors including earlier discharge from independent hospitals, Care Act 2014 and decommissioning of Community

Living. If client numbers continue to increase in line with growth 2014-17, the total number of clients will increase to the region of 780 by 2019/20.

The budget proposals allocate £2.088m to address the full year effect cost into 2017/18 from increases in demand (a sharp increase in demand at the end of 2015/16 was after the 2016/17 budget was set) and then £0.819m per annum 2017-20 for further demographic increases, a total investment of £4.545m.

(ii) Homelessness

The current homeless system within Manchester across both in-house and commissioned services is experiencing increasing pressure of new presentations and existing numbers of complex cases already accommodated that are difficult to move-on. The system is responding to numbers of homeless people with complex needs that it was not designed to cope with; this has made the system reactive and is leading to driving up the budget pressures for the service specifically around usage of B&B accommodation to avert immediate hardship and to protect the most vulnerable. This has resulted in greater use of bed and breakfast accommodation for families from 30 in 2014/15 to 45 in 2016/17 and for singles from 21 to 102 over the same period.

Plans are underway to develop a new service model for Homelessness provision which will respond to some of the particular issues in Manchester around the complex lives led by an increasing number of service users. This includes new pathways from rough sleeping to assessment with wrap around first response care from health and social care services such as drug and alcohol treatment and mental health services. Discussions are underway with Housing providers to release more accommodation across the City that could be used for move on purposes to speed up the pace of the flow of people through the system. In addition, bids for external funding and from GM have been made to cover the new Prevention Duties. Financial support is also available from the City Centre Review where £1m per year for 2017/18 to 2019/20 has been set aside from non-recurrent business rates funding in a Corporate budget. This is to support implementation including tackling the rough sleeping and begging issues in the City Centre.

It was announced in December that eight areas, including GM, will benefit from a share of £10m in locally commissioned Social Impact Bonds to help long-term rough sleepers with the most complex needs. This funding will allow areas to trial a Housing First model, based on successful approaches pioneered in the United States. Housing First is based on the principle that housing is an individual’s primary need, providing permanent accommodation for those currently sleeping on the street before addressing wider support needs. Pilots will form part of a wider evaluation of how a similar approach could be implemented in the UK, as part of a fresh approach to tackling homelessness.

The budget proposals allocate £1.500m for 2017/18 to reflect the increase in client numbers and then £0.250m per annum 2017-20 for further demographic increases, a total investment of £2.250m.

(iii) Learning Disability Service

It is estimated, through the analysis and collection of data from various government departments that in England in 2015 there were 1,087,100 people with learning disabilities; 156,700 are thought to be children. There is however no definitive record of people with a learning disability in England. The number of people with a learning disability nationally is steadily increasing. Child mortality is falling and people are living longer in adulthood. In 2007 the City Council commissioned the Institute of Health Research at Lancaster University to estimate the impact these Learning Disability population changes would have on future demand for adult social care in the city. The study estimated an annual growth rate in the population receiving support of between 2.6% (lower estimate) and 5.4% (upper estimate), with a middle estimate of 4.5%.

Department for Education data also suggests that the number of pupils with learning disabilities is expected to increase by 26% from 2014 to 2023 and despite policy and legislative changes, spend on children with learning disabilities who will then require ongoing intensive care and support from adult social care is likely to continue to increase.

Within Manchester, there is now a more robust understanding of cases coming through the system. The volume of cases coming through from children and adult services is currently high and there are a number of high cost placements. Allocation of demographic funding into the budget has not fully taken account of the increasing complexity of need.

A deeper analysis of new starters/leavers and expected clients between 1st April 2016 and 31st March 2017 has been completed together with demographics modelling. The net increase in clients accessing services in 2016/17 is forecast to be 177, with 147 with provision at 31st October and a further 30 known and expected to access services before year end. The full year impact cost on 2017/18 is significant. There are three pressure areas as follows:

- 18-25 years: the Transitions Board has been established and considerable progress has been made. However high costs have been transferred to Adult Social Care and will continue to impact over the next couple of years. Improved working with Education will see changes in future years beyond 2020;

- 40-50 years: a spike in costs for this age group is evident. A large proportion of new starters to the service each year are in their 40s or 50s, who are often entering the service in a ‘crisis’, for example as a result of a carer breakdown or death; and

- 60 years and over: costs for this age group is evident as needs become more related to older age, some often entering the service in a 'crisis', for example as a result of a carer breakdown or death and who for many have lived with parents/family and received no or small social care packages.

A key driver of reform will be to ensure that assessment and support planning increasingly focuses on securing innovative, cost effective solutions for people. This will involve increasing access to community assets and stepping people down into less intensive provision. A GM Commissioning framework is also being undertaken which will include innovative ways to meet need as well as deliver value money and it is anticipated that this will be operational in autumn of 2017.

The budget proposals allocate £4.640m to address the full year effect cost into 2017/18 from increases in demand and then £2.135m 2017/18 and £1.585m per annum 2018-20 for further demographic increases, a total investment of £9.945m.

It should be noted that the full year effect cost of the care for those transferring out of Calderstones as a result of the Winterbourne View judgement is c£3.5m. It has been assumed that this will be covered by associated dowry payments from the NHS.

(iv) Home Care

The demand for home care has continued to increase with the number of commissioned hours rising by almost 23% between April 2015 and October 2016. Whilst it had been assumed that this would be managed across the whole system with moves to different models of care, such as Extra Care reducing the demand for residential placements, there is an increasing underlying level of demand that needs to be recognised to avoid putting unsustainable pressure on the whole health and social care system.

Analysis of the cohort of people newly in receipt of homecare and residential care this year has shown a very high proportion have dementia. The number of people being diagnosed with dementia in Manchester is increasing due to people in the City generally living longer, and improved diagnosis rates. The majority of support for people with dementia is provided from mainstream older people's services such as: Home Care, Day Care (at least 40% of day care clients in Manchester have either a dementia diagnosis or suspected dementia) and Care Homes (a recent Alzheimer's Society report estimates 80% of all care home residents have some form of dementia).

The budget proposals allocate £2.491m to address the full year effect cost into 2017/18 from increases in commissioned hours and a further £0.791m has been provided to allow for a further 1% growth increase. A financial business case in respect of the emerging GM new delivery model will also need to be evaluated in due course to inform further budget assumptions for 2018-20.

(v) Additional Resources

In order to fund the very significant pressures facing Adult Social Care the following additional resources have been identified and included with the Executives budget proposals.

- Investment – to redirect £2.500m from the funding detailed at 7.1.

- Resources identified as part of the City wide review for Homelessness £0.5m; and

- A range of measures identified (£0.853m) to mitigate the pressures in 2016/17 including: uncommitted resources in the Carers budget (£0.3m); Better Care Fund (£0.1m); income including Ordinary Residence recharges (£0.340m) and further resources in the Homelessness budget (£0.113m).

8.0. The Pooled Fund

8.1. An agreement between the three Manchester Clinical Commissioning Groups and the City Council for a pooled fund was established in 2015/16 reflecting minimum mandated Better Care Fund resources of £42m. The Clinical Commissioning Groups and City Council agreed to expand the scope of resources from 2016/17 to also include budgets covering ‘One Team’, i.e. adult community health (neighbourhood teams) and community assessment and support services (integrated intermediate care and reablement). This increased the value of the integrated health and care pooled fund to £80m.

8.2. The local aspiration is to pool all of Manchester’s health and care budgets, subject to compliance with relevant legal and necessary assurance requirements (£1.137bn). Expansion of the pooled fund is considered a key enabler to fully integrating health and social care, securing financial sustainability and provides the mechanism for funding to flow around the whole health and social care system, to invest in community based services and allow savings to be released through reducing the City Council’s contributions into the pool year-on-year as detailed earlier in the report. Agreement on benefits and risk sharing is an integral component.

8.3. The phasing of the expansion to the pooled fund 2017-20 will be determined before 1st April 2017 and in the light of the Council determinations of the budget.

Contribution to the Pooled Budget

8.4. The proposed core level of funding, or social care expenditure limit, is set out in the table overleaf.

	2017/18 £m	2018/19 £m	2019/20 £m
Base Budget	**157.69**	**156.63**	**154.81**
Apportionment of pay and non pay inflation	2.52	4.50	6.49
National Living Wage costs for commissioned services	4.26	8.52	12.77
Demographic pressures	10.26	12.91	15.57
Sub Total Additional Funding	17.04	25.93	34.83
Sub Total	**174.73**	**182.56**	**189.64**
Savings Target	-5.00	-8.00	-12.00
Pressures Met from Locality Resources	-4.68	-4.75	-4.82
Total Savings	-9.68	-12.75	-16.82
Total	**165.05**	**169.81**	**172.82**
Net Increase	**7.36**	**13.18**	**18.01**
Year on Year		5.82	4.83

8.5. The expenditure limit will transparently set out the funding for pressures being addressed alongside the suggested reduced savings target of £12m. The £12m is based on a more realistic level of savings being £17m across the three years against which the fact that the pressures are now £4.8m higher than budgeted for also need to be offset.

9.0. Technological Support to Implement Changes

9.1. The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from a Council and GM perspective. How the authority structures, governs and utilises data will be pivotal to the successful delivery of these agendas. Further investment will be required in how technology and the systems of the Council and partner organisations are utilised to deliver further savings and efficiencies. This will require a continuation of the ICT transformation journey.

9.2. ICT will work closely with the Directorate to identify ICT solutions that comply with the Information and ICT design principles and to develop robust business cases to support their development. The Capital Strategy sets out proposals for developing the next stage of investment in ICT.

Key priorities include:

(i) Implementation of a new Social Care system, aligned with best practice in Early Help and Children's Social Care. There is also the need for a new case management system to support the Homelessness team (where the current system is due to be decommissioned within the next

6 months) and for the supported accommodation service, to implement improvements including those recommended by the CQC;

(ii) Support for the establishment of a Single Commissioning Function and the Locality Care Organisation – ICT investment will be required to support the new organisations, including the selection and implementation of a new commissioning system;

(iii) Implementation of tactical and strategic systems to enable sharing of social and health care records alongside supporting collaboration with tools such as Video Conferencing and File Sharing;

(iv) Supporting integrated working and improving the service provided. Examples include:

- Support for the ICT requirements for the MASH;
- City Verve, where investment is required to support care to patients in the community ensuring that practitioners have the care information and equipment in readiness for visiting patients;
- Streamlining the “front door” to explore new technologies to improve the process which supports the care that is provided to the citizen, from the contact centre to the social worker visit; and
- Implementation of the Connect2Support solution, enabling citizens to choose packages of care which meet their requirements.

(v) Digitisation of Safeguarding Records – these are currently paper-based. Any solution needs to be compliant with statutory requirements.

10.0. Impact on Residents Communities and Customers

10.1. Manchester has a diverse and rapidly changing population and it is important that the Council is able to manage its business priorities with due regard for the wide-ranging and complex priorities and needs of the City’s residents. The business planning process helps the Council to consider and communicate how it will fulfil the requirements of the Public Sector Equality Duty in the development of its business priorities. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City.

10.2. The Council is proud of its accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorates’ equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment. The directorate’s priorities support the EFLG and its activities will continue to reduce inequalities through effective partnership working in particular those with health, schools, independent providers, other local authorities and the voluntary and community sector.

10.3. The Directorate continues to play a pivotal role around equalities through its work with key cohorts:

- Children and Young People
- Adults of working age
- Older People

There are key developments looking ahead that will have an impact on equalities including the integration of health and social care and the health and wellbeing of adults living in communities. There is a significant opportunity to address the following areas:

- Health inequalities and life chances
- Transition to adulthood
- The benefits of health and social care integration
- The reduction in social isolation of older people through the age-friendly work

All partners involved in delivering the Locality Plan are well aware of the need to undertake EIAs on service changes resulting from transformation. Partners have developed capabilities to do this on an individual and collective basis, driven by the scale and speed of change experienced in both the health and local government sectors over the last five years.

11.0. Workforce Impact

11.1. Implementation of the locality plan will result in significant changes for staff currently working within the City Council and the NHS organisations within the City. Some of these changes include:

- Health and social care managers working together to lead and develop integrated teams to deliver a quality service to citizens
- Health and Social Care workforce integrated across 12 Locality hubs, a single commissioning function and a single hospital arrangement. This will require significant changes to how people work.
- Staff working to new matrix management arrangements with clear professional supervision links.
- Identification of new behaviours for staff to embed as part of new ways of working
- Increased information sharing and communication through multidisciplinary team working to build better local knowledge within teams and deliver an improved service to residents
- Staff working in a much more cohesive way with a focus on an asset based approach to supporting citizens
- Development of skills/capacity for the future to ensure delivery of new delivery models

11.2. It is envisaged that staff will work within different organisational forms which require new roles and ways of working. How this happens will change over time as arrangements develop.

11.3. The impact on FTE reductions is still to be confirmed.

Appendix 1: Summary Budget Position

Service Area	2016/17			2017/18			2018/19			2019/20		
	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)
	£,000	£,000		£,000	£,000		£,000	£,000		£,000	£,000	
Care	61,840	31,813	293	59,170	29,144	293	56,291	26,265	293	54,499	24,473	293
Assessment Care & Support	8,002	5,573	225	7,367	4,938	225	7,367	4,938	225	7,367	4,938	225
Learning Disability Services	40,875	36,674	34	38,926	34,725	34	37,724	33,523	34	35,704	31,503	34
Mental Health Services	20,190	18,394	0	20,178	18,382	0	19,990	18,194	0	19,802	18,006	0
Business Units	15,760	13,829	454	15,760	13,829	454	15,760	13,829	454	15,760	13,829	454
Homelessness	10,778	4,105	182	10,778	4,105	182	10,778	4,105	182	10,778	4,105	182
Commissioning	14,138	14,138	57	13,938	13,938	57	13,938	13,938	57	13,938	13,938	57
Public Health	28,663	27,809	42	28,063	27,209	42	27,518	26,664	42	27,518	26,664	42
Safeguarding	1,827	1,827	13	1,827	1,827	13	1,827	1,827	13	1,827	1,827	13
Back office	4,779	4,504	140	4,779	4,504	140	4,779	4,504	140	4,779	4,504	140
Total	**206,852**	**158,666**	**1,440**	**200,786**	**152,601**	**1,440**	**195,972**	**147,787**	**1,440**	**191,972**	**143,787**	**1,440**

Appendix 1: Summary Budget Position

Service Area	2016 / 17	2017 / 18			2018 / 19			2019 / 20		
	Net Budget 2016/17 £,000	Growth and other Budget Changes	Savings	Net Budget 2017/18	Growth and other Budget Changes	Savings	Net Budget 2018/19	Growth and other Budget Changes	Savings	Net Budget 2019/20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Care	31,813		(2,669)	29,144		(2,879)	26,265		(1,792)	24,473
Assessment Care & Support	5,573		(635)	4,938			4,938			4,938
Learning Disability Services	36,674		(1,949)	34,725		(1,202)	33,523		(2,020)	31,503
Mental Health Services	18,394		(12)	18,382		(188)	18,194		(188)	18,006
Business Units	13,829			13,829			13,829			13,829
Homelessness	4,105			4,105			4,105			4,105
Commissioning	14,138		(200)	13,938			13,938			13,938
Public Health	27,809		(600)	27,209		(545)	26,664			26,664
Safeguarding	1,827			1,827			1,827			1,827
Back office	4,504			4,504			4,504			4,504
Total	**158,666**	**0**	**(6,065)**	**152,601**	**0**	**(4,814)**	**147,787**	**0**	**(4,000)**	**143,787**

Appendix 2 – Savings Proposals 2017-20

Adults - 2017/18 - 2019/20 savings proposals									
Service Area	Description of Saving	Type of Saving	RAG Deliverability	RAG Impact	Amount of Saving Option				FTE Impact (Indicative)
					2017/18 £,000	2018/19 £,000	2019/20 £,000	Total £,000	
Efficiency and Improvements									
Locality Plan	Implementation of expansion to pooled fund with health: benefits share from implementation of new care models in Local Care Organisation and outcome of commissioning reviews	Efficiency	Amber	Amber	5,000	3,000	4,000	12,000	
Total Efficiency and Improvements					**5,000**	**3,000**	**4,000**	**12,000**	**0**
Total Adults					**5,000**	**3,000**	**4,000**	**12,000**	**0**

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017

Subject: Manchester's Locality Plan – A Healthier Manchester

Report of: Chief Executive

Summary

As part of the devolution agreement with the Government for Greater Manchester to take charge of health and social care spending and decisions the Council and its partners are currently in the first year of implementing Manchester's Locality Plan – "A Healthier Manchester". The Plan details the transformation ambition for health care services in the City as part of the Greater Manchester strategy – Taking Charge of our Health and Social Care. Manchester's Plan is overseen by the Health and Wellbeing Board on behalf of the health and care partners in the City.

This report provides a comprehensive update on progress towards implementing the Locality Plan and seeks the approval of the Executive to the Council's contribution to the next stages of implementation through the deployment of Council staff and resources into the Single Commissioning Function and integrated services to be delivered through a Local Care Organisation.

The report also explains the next steps to develop a Single Hospital Service for the City and asks the Executive to endorse the creation of a single acute provider organisation and the proposed phasing as set out in the report.

This report was considered by the Health Scrutiny Committee on 5th January alongside the budget implications of the Locality Plan at There are two related reports elsewhere on this agenda. The first deals in more depth with the single commissioning junction (known as Manchester Health and Care Commission). The second deals with the procurement process for the Local Care Organisation.

Recommendations:

That the Executive:

1. Endorse the next phases of implementation of the Locality Plan, as set out in this report, as a clear and robust response to the requirements of the Our Manchester Strategy to transform health outcomes for Manchester people and the platform for achieving financial sustainability.

2. Approve in principle that the Council enter into partnership arrangements under Section 75 of the NHS Act 2006 with the City's merged CCGs to form the Single Commissioning Function, subject to the terms of the partnership agreement being submitted to a future meeting of the Executive for approval.

3. Approve commissioners undertaking a procurement exercise to appoint a single provider of integrated health and social care in Manchester, with the intention that there will be a single contract that will include all out of hospital health services, including primary care, adult social care, community health and mental health services.

4. Note that the organisations that form the Manchester Provider Board, which include the Council as a provider of adult social care, will bid for the single contract on the basis of an equal partnership between the principal provider organisations in the form of a Local Care Organisation (LCO). Subject to the outcome of the procurement process, in the event that the bid prepared by Manchester Provider Board is successful, further reports will be submitted to the Executive on the terms of an Alliance Agreement, and the formation of the LCO.

5. Note that Council staff will need to be deployed to both the Single Commissioning Function and the LCO, with roles being backfilled, subject to the approval of Personnel Committee where appropriate.

6. Note that a report will be submitted to the Personnel Committee on the 11th January recommending changes to the Director of Adult Social Services (DASS), Deputy DASS and Director of Public Health roles.

7. Endorse the creation of a single acute provider organisation and the proposed phasing set out in this report as a key part of the move to a single unified health and care system for the City and a central part of the GM strategy for health and social care devolution and that the benefits of the Single Hospital Service (SHS) and of the Locality Plan as a whole be commended to NHS Improvement and the Competition and Markets Authority to support their consideration of the SHS.

8. Note the progress on the transfer of the City's mental health services to a new provider and that mental health will be fully integrated into the new service models being developed.

9. Note the emerging vision for the future delivery of services from the North Manchester General Hospital.

Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Driving forward the growth agenda with a particular focus on a unified health and care system which will focus upon utilising available resources effectively. This will provide opportunities for local jobs.

A highly skilled city: world class and home grown talent sustaining the city's economic success	Integrated commissioning will focus on utilising available resources to connect local people to education and employment opportunities, promoting independence and reducing worklessness. Working with schools to engage and support our communities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote independence, early intervention and prevention, the development of evidence based interventions to inform new delivery models.
A liveable and low carbon city: a destination of choice to live, visit, work	Development of integrated health and social care models and local commissioning arrangements that connect services and evidence based interventions to local people and enable families and their workers to influence commissioning decisions aligned to locally identified needs.
A connected city: world class infrastructure and connectivity to drive growth	N/A

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

This report should be read alongside the Locality Plan – Financial Report – Closing the Funding Gap 2017/21.

Financial Consequences – Capital

The capital implications are outlined in the Council's Capital Strategy Report elsewhere on the Executive agenda.

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Background documents (available for public inspection):

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

GM Strategic Plan – Taking Charge of Our Health and Social Care

Manchester Locality Plan – A Healthier Manchester

Draft Prospectus: Manchester Local Care Organisation – April 2017-2027

1.0 Introduction

1.1 Greater Manchester Health and Social Care devolution has enabled the Council and NHS partner organisations, together with the voluntary sector and other partners, to produce a five year Locality Plan to transform the delivery of health and care services and improve health outcomes for residents. The Plan aims to overcome the very significant funding and capacity challenges facing the health and social care system to enable the system to become clinically and financially sustainable.

1.2 The Locality Plan was approved by the Health and Wellbeing Board 27th April 2017. The Executive has previously received reports: on 17th February 2016, it received the latest version of the Locality Plan; on 29th June, it endorsed the recommendation that Central Manchester Foundation Trust (CMFT), Pennine Acute Hospital Trust (PAHT) and University Hospital of South Manchester (UHSM) be requested to enter into discussion to consider the creation of a new, single organisation; and, on 19th October it endorsed the direction of travel in the establishment of the Single Commissioning Function.

1.3 The purpose of this report is to give a comprehensive update on all aspects of the Locality Plan, acknowledging the unprecedented scale of ambition and commitment across the city with the alignment of leadership across all of the health and care partner organisations.

2.0 Context

2.1 Our Manchester

The Our Manchester Strategy sets out the ambition for the city for the next ten years – to be thriving, filled with talent, fair, a great place to live, and buzzing with connections. A key priority of Our Manchester Strategy is radically improving health and care outcomes, through key partners coming together in new ways to transform and integrate services; putting people at the heart of these joined-up services; a greater focus on preventing illness; helping older people to stay independent for longer, and recognising the importance of work as a health outcome and health as a work outcome. The Manchester Locality Plan – 'A Healthier Manchester' – represents the first five years of transformational change needed to deliver this vision.

2.2 This will require a complex set of transformations that is unique in its nature and scale. The Manchester Locality Plan involves radical re-shaping of health and care and significant simplification of organisations in the city – moving to one commissioning function, one hospital system and one out of hospital organisation that is integrated with mental health services. This will move away from the current complexity of organisations in the City with three major hospital trusts, three Clinical Commissioning Groups, the Council with responsibility for social care and a Mental Health Trust. This is in addition to 90 GP practices, many private providers of social care, and voluntary, community and social enterprise organisations.

2.3 Cultural change in the way people work together will be more important than this simplification and integration of organisations. These changes will reform how Manchester supports more residents to become independent and resilient, better connected to the assets and networks in places and communities. Public services will be radically reformed so that they are built around citizens and communities rather than organisational silos.

2.4 **Overall Benefits**

Delivering the vision will be very challenging, given poor health outcomes in the City including:

- Children born in Manchester can expect to live a greater proportion of their lives in poor health. On average, a boy born in Manchester can only expect to spend around 74% of his remaining years of life in good health compared with an England average of 80%. For girls born in Manchester, the figure is even lower (69.7% compared with an England average of 77.1%).
- Life expectancy is 8.5 years lower for men and 7.1 years lower for women born in the most deprived areas of Manchester compared with the least deprived areas.
- Growing numbers of older people with complex health needs to manage;
- High levels of alcohol abuse (3,150 related hospital stays per year), smoking (735 related deaths per year) and obesity (24% of year 6 children classed as obese).

2.5 There is also a huge financial challenge. Pressure on services and funding reductions together present a £133.5m funding gap forecast by 2020/21. This includes:

- £65.9m for the NHS Provider Trusts
- £46.4m for Manchester City Council; and
- £21.2m for the three CCGs

.

2.6 Financial and clinical benefits cases have been produced for each of the three pillars of the plan: the Single Commissioning Function, the Local Care Organisation and the Single Hospital Service. These have been developed to support access to the GM Transformation Fund (see 3.2 below) and to meet the requirements of various NHS assurances process and national regulators including the Competition and Markets Authority (CMA) in relation to the Single Hospital Service. These individual assessments and an overall benefits assessment will continue to be developed but it is already clear that there are clear public benefits which will be delivered by the plan as a whole and which need to be taken fully into account by the CMA and other regulatory bodies. The October 2016 submission to the GM Transformation Fund, total identified benefits of £128m by 2020-21 of which £92.6m had been identified as cashable.

2.7 Delivery of the Council's adult social care budget for the next three years will be dependent upon delivery of the Locality Plan and in particular new integrated models in care reducing activity levels for acute and residential care services. These shifts in capacity from acute and residential to integrated out of hospital services will be tracked through metrics within an Investment Agreement for GM Transformation Funding and an Alliance Agreement between the organisation or partners that intend to form the LCO and the Single Commissioning Function. A full report on the financial implications of the Locality Plan for the Council's budget appears elsewhere in this agenda.

3.0 Implementing the Locality Plan – the next 12 months

3.1 The next 12 months will see significant progress in the re-shaping of the health and care landscape in Manchester and in particular the following:

- The establishment of the Single Commissioning Function from April 2017;
- The procurement of a Local Care Organisation to deliver integrated out of hospital services within the community;
- The first stage merger of CMFT and UHSM;
- The mobilisation of a clear plan for the delivery of high quality services from the North Manchester General Hospital site;
- The delivery of mental health services by GMW.

3.2 In October a significant submission for investment was made to the Greater Manchester Transformation Fund to secure investment in new service models and the delivery of the reformed health and care system. The evaluation of that submission is currently underway with decisions on funding expected in February. Investment is required to enable the whole health and care system to act more effectively and efficiently and will be key to levering the remodelling of the system that is required to improve health and care outcomes and close the funding gap.

3.3 Ahead of formal evaluation of the investment submission Development Funding has been secured from the GM Transformation Fund to commence the first stage work relating to the Single Hospital Service, and to release resources to enable the continued development of the out of hospital integrated models of care.

4.0 Single Commissioning Function

4.1 Following the report to the Executive on the 19th October the Single Commissioning Function is on track to be in place by April 2017. Bringing together the three CCGs and MCC commissioning for adult social care and public health, it will develop new ways of commissioning services from the Single Hospital Service and Local Care Organisation to drive improvements in health and care outcomes, and develop new payment and contracting mechanisms. This work aligns with key themes and work programmes delivering the Greater Manchester Health and Social Care Strategy and exemplifies the new approaches set out in the GM Commissioning for Reform Strategy.

4.2 As the first step to developing the Single Commissioning Function a joint application by the three CCGs has been submitted seeking approval from NHS England to merge to form a new Manchester CCG from April 2017. The NHSE assessment panel has considered the tests for merger in NHS England's guidance and the CCG Regulations. It has been determined that the requirements for authorisation as a new single CCG have been met, subject to the formal agreement of the GP memberships and Governing Bodies of the CCGs, and the submission of additional information such as the proposed constitution of the new CCG.

4.3 Currently the name assigned to the Single Commissioning Function, is Manchester Health and Care Commissioning (MHCC). The Chief Officer, Ian Williamson, has now been appointed and will start in the New Year. Work is progressing to identify the functions that sit within this new arrangement acknowledging that some commissioning functions are expected to form part of the Local Care Organisation. The future of commissioning within MHCC will:

- be more strategic and outcome focussed
- assure quality and performance
- manage fewer, larger contracts let over a longer period of time.

4.4 For the Council work is progressing to identify the staffing capacity to be deployed into the Single Commissioning Function. The number and type of roles that will be deployed are currently being identified and they will be confirmed and communicated by the end of February or earlier.

Importantly, and as reported in the report to the Executive on the 19th October, the statutory role and functions of the Director of Adult Services and the Director of Public Health will be accountable to the Chief Executive of the Council and sit on the executive of the Single Commissioning Function. They will form part of the Executive Team of the new commissioning organisation. Direct reporting lines will also be maintained to the Executive Member for Adults, Health and Wellbeing. This arrangement will ensure that the local authority's legal responsibilities are at the forefront of commissioning decisions. These arrangements will be set out in a Partnership Agreement a draft of which will be presented to a future meeting of the Executive. The Partnership Agreement will also set out:

- the pooled budget and the delegated functions; and
- the roles and functions to be retained by the Council to include responsibilities for safeguarding.

5.0 Local Care Organisation

5.1 The Manchester commissioners have outlined their intentions regarding the commissioning of community based out of hospital care in a Draft Prospectus recently considered by the Health and Wellbeing Board and the Health Scrutiny Committee.

5.2 In meeting the challenges outlined in the Locality Plan commissioners are stipulating changes in the way that the health and care system delivers services. They have taken steps to prepare a commissioning prospectus that details the expectations of a Local Care Organisation (LCO) in the delivery of community based out of hospital care.

5.3 The Prospectus describes what commissioners will commission through a single contract over a ten year period. It describes a range of services to be delivered in community settings and includes existing primary, mental health, community health care, social care and voluntary and community sector services.

Work is progressing to shape the range and focus of services to be delivered through a Local Care Organisation and the models of care to be delivered. The model is based upon the following key elements:

- An Enhanced Front Door (the way that residents access services)
- A High Impact Primary Care Offer
- 12 Integrated Neighbourhood Teams
- Locality and citywide services
- Acute Discharge

The focus of the LCO will be upon five cohorts of people who represent 14% of the population (92,500 people) but account for 44% of secondary activity and 95% of residential and nursing care activity. It will be required to develop new care models that:

- Improve outcomes for local people, addressing variation in the outcomes across the City through neighbourhood targeted interventions;
- Achieve significant reductions for higher cost activity.
- Ensure that people are able to gain timely access to high quality services when and where they need them;
- Adopt a holistic whole person approach that recognises individual's context, health, care and social needs of themselves and their family;
- Organise services that balance the requirement for local delivery with the benefits and opportunities of delivery at scale;
- Support carers to perform their role effectively, recognising the vital role carers play within the system;
- Operate as part of a wider system, recognising the interdependency between the LCO, Single Hospital Service, other services and community assets.

5.4 The LCO will deliver the benefits of working at scale for patients and the public including:

- a consistent and standardised offer of care for the population;
- working across boundaries to ensure care is joined up and integrated; including working to maximise the assets which exist within communities, an deliver more proactive and preventative care;

- delivering a shared workforce strategy to improve recruitment, retention, training and skill mix;
- sharing records and integrating information management technology;
- developing opportunities to co-locate teams, and share premises and estates;
- working together to deliver efficiencies and economies of scale in areas such as working practices and back office functions.

5.5 Commissioners working with colleagues from the GM Health and Social Care Partnership are liaising regarding the appropriate processes to be followed to complete procurements for complex contracts. Referred to as ‘The Integrated Support and Assurance Process’, key checkpoints will be met before any procurement process is commenced and completed.

5.6 The Manchester Provider Board which includes the City Council has signalled its intention to respond to any procurement process for LCO Services and will establish an Interim Executive Team for this purpose. Michael McCourt has been appointed as Interim Chief Executive of the Team. A small number of senior Council staff will be deployed to the Interim Executive Team. In the event that the Council forms part of the LCO, there would be a phased movement of different front-line teams from the Council and other partners into the Local Care Organisation. The legal form of the LCO has yet to be determined. Around 850 FTE staff from the Council may be in scope for deployment to the new models of care over the next three years.

5.7 Development work at a GM level is also underway to reshape services such as residential, nursing and homecare services. These services will also be integrated at a neighbourhood level through the LCO.

6.0 Mental Health Services

6.1 From the 1st January 2017 Greater Manchester West (GMW) will provide mental health services in Manchester. They will be a strong partner within the Locality Plan working across the acute and community sectors. It is anticipated that mental health services will be integrated across the new care model within the LCO. It is absolutely clear that these services are integrated with physical health. Embedding services within neighbourhoods, supporting the diverse needs of different communities and learning from these communities how services can be delivered to support he integration agenda and reduce stigma.

There will be an increased emphasis on prevention; for example the delivery of Improving Access to Psychological Therapies (IAPT) within the Integrated Neighbourhood Teams. Access to these services should be faster and easier both for GPs and Manchester people. There will also be a focus on keeping people out of hospital through the development of 24/7 Home Based Treatment Services and Enhanced Community Mental Health teams. Finally there will less out of area placements by improving a rehabilitation pathway for the City. Out of area placements are expensive and problematic for improving outcomes for patients but also their families.

7.0 Single Hospital Service

7.1 The Manchester Single Hospital Service Programme is seeking to achieve significant improvements in health and financial benefits for people using hospital services in Manchester by achieving more effective alignment and synergy in the way hospital services are provided. The Programme was initiated through an Independent Review, commissioned by the Manchester Health and Wellbeing Board, and led by Sir Jonathan Michael. The recommendation to create one new organisation providing hospital services to the people of Manchester and beyond were endorsed by the Health and Wellbeing Board and separately by the Council Executive on 29th June 2016.

7.2 The Programme encompasses the following key elements:

- the establishment of a Manchester Single Hospital Service through the creation of a new NHS Foundation Trust, that takes responsibility for the services currently provided by CMFT, UHSM and NMGH;
- the development and implementation of new clinical service models;
- the review and rationalisation of clinical support functions; and
- the review and rationalisation of back office functions.

7.3 While the underlying objective is service transformation, there is agreement between the three acute Trusts, the Manchester commissioners and other key partners that the required changes cannot be delivered without creating a new organisational vehicle for the provision of hospital services.

The creation of a new single acute NHS provider organisation for Manchester will deliver benefits in the following areas;

- quality of care – reduce variation in safety and effectiveness of care;
- patient experience – including facilitating the delivery of care closer to home;
- workforce – improve recruitment and retention, and support the provision of 7 day services;
- financial and operational efficiency – reduced costs through improved productivity;
- research and innovation – increase access to clinical trials; and
- education and training – widen student and trainee experience.

7.4 In order to deliver strengthened clinical outcomes across the new provider, it has been agreed that the development of a Clinical Services Strategy for the new merged organisation will be led by the Trusts working in close collaboration with the Programme Team and the commissioners. Arrangements have been confirmed by the Single Hospital Service Programme Board for the development of the Strategy which includes liaison with Strategy Leads, Medical Directors, Nursing Directors and Chief Operating Officers.

7.5 Given the scale of the overall programme, the approach that has been agreed amongst the Manchester providers is to create the new organisation through two discrete transactions, as follows:

- Project 1: merging UHSM and CMFT to create a new hospital Foundation Trust
- Project 2: transferring NMGH into the new Foundation Trust

The rationale for this approach is driven by the fact that UHSM and CMFT are two free standing Foundation Trusts which can be brought together through a comparatively straight forward transaction. NMGH is one of the four hospital sites operated by the existing Pennine Acute Hospitals NHS Foundation Trust, so bringing NMGH into the new Manchester SHS organisation will require disaggregation of NMGH from the rest of PAHT.

The Strategic Case for the Single Hospital Service has been submitted to NHS Improvement. Additionally, the first stage of the Programme is to secure the complex transaction to merge two Foundation Trusts (UHSM and CMFT). The proposed merger requires clearance from the Competition and Markets Authority (CMA), and the first submission of benefits was made to the CMA on 7th December 2016. The overall benefits of the three pillars of the Locality Plan and of the plan as a whole will be communicated to the regulators.

7.6 Provisionally, and subject to the necessary regulatory stages being successfully completed, it is the intention that the new Trust to be operational in September 2017. Subject to successful stage one merger, the transfer of services from NMGH into the single organisation will take place in 2018.

8.0 North Manchester General Hospital

8.1 The role and nature of services to be provided at the North Manchester General Hospital Site are currently being considered within this wider transformation programme. A plan for the delivery of services from the site is being shaped with a clear vision for North Manchester General Hospital in the future.

8.2 NMGH services are provided as part of hospital and community services from Pennine Acute NHS Trust (PAHT). The recent CQC visit deemed the overall service provision of acute care on the site as inadequate. In particular, it highlighted four fragile services, three of which were in part provided from North Manchester (urgent care, maternity and paediatric services). Whilst some short term interventions have been agreed to make safe the service provision, it is recognised that there needs to be a plan for clinically and financially sustainable services for the longer-term both on the NMGH site and for PAHT services as a whole.

8.3 Since April 2016, the PAHT Trust has been led by a new executive management team led by Sir David Dalton of Salford Royal Hospital NHS Foundation Trust working in partnership with Central Manchester Foundation Trust (CMFT) and other acute providers across Greater Manchester. The focus of this leadership has been upon stabilisation and addressing the failings identified by the CQC. Additionally the leadership are working within a commissioner led programme of system transformation to determine the future role of PAHT, and particularly NMGH in the context of Manchester's Locality Plan.

8.4 The position of North Manchester General will be closely monitored through an Improvement Board. The support provided by CMFT to the stabilisation of services at North Manchester General Hospital has been an important feature of the progress made since the CQC report, particularly for children's services, maternity services and A&E. This will continue to develop.

8.5 North Manchester CCG is leading the work for the development of a case for change for the North Manchester site. The CCG has commissioned the Transformation Unit within the GM Health and Social Care team to provide programme support to develop the scope for this work for discussion at the January Health and Well-Being Board. The future plans for North Manchester will align with the development of the Local Care Organisation, the Single Hospital System and the PAHT clinical strategy. The re-development of the NMGH site will need a long term strategy to be developed in three phases:

- Development of District General Hospital facilities– 24/7 A&E, Medical Assessment Unit and medical in-patient beds, maternity and children's services, diagnostics, surgery, High Dependency Unit;
- Community health and well-being hub – linking to newly built intermediate care unit, integrated care teams, primary care, mental health, etc
- Surplus site – plans here are less developed but some ideas are emerging about an academic facility, housing options;

8.6 Key to the success of North Manchester will be health and well-being services targeted at the local population of North Manchester and those who access its services and models of care that more appropriately respond to those needs. Proposals will be submitted to the Health and Wellbeing Board and subject to scrutiny through the Health Scrutiny Committee and the involved Ward Councillors.

9.0 Enabler Support

9.1 The Locality Plan cannot be delivered without a significant change in culture and behaviours, both in the workforce and in residents. The desired change is articulated the Our Manchester Strategy, and all partners are realigning their organisational and transformation strategies, in particular their organisational development (OD) strategies, to reflect the Our Manchester objectives. Similarly the communications programme is engaging staff and residents using Our Manchester as a basis for engagement.

9.2 The delivery of the Locality Plan is supported by four enabling programmes: Estates, IM&T, Workforce and Communication. Each of these enabler programmes is being led by a senior leader from one of the partner organisations and draws upon the expertise and capacity of specialist functions within each partner organisation.

9.3 Enabler programmes have recognised the need to increase their capacity, beyond their business as usual resources, to support the three pillars effectively. The bid to Greater Manchester Transformation Fund reflected this, and the recent award of development funding from GM will support the recruitment of dedicated Locality Plan focused resources to work on the enabling programmes.

In all three work areas listed above, the enabler programmes are expected to bring a high level of specialist expertise to ensure they are offering proactive support and challenging orthodox thinking where appropriate.

9.4 The enabler programmes are also linked in with their GM counterparts, to ensure they can support relevant regional programmes of work and ensure any opportunities arising out of these programmes can be taken advantage of in Manchester.

9. 5 The corporate core functions in MCC are currently reviewing how they will be impacted by the establishment of an LCO and a Single Commissioning Function.

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny - 20 February 2017

Central Clinical Commissioning Group Board – January 2017
North Clinical Commissioning Group Board – January 2017
South Clinical Commissioning Group Board – January 2017

Subject: Locality Plan – Financial Report – Closing the Funding Gap 2017/21, Update: Three Year Budget Strategy 2017-20

Report of: Joint Director Health and Social Care Integration
City Treasurer, Chief Finance Officer, Manchester Clinical Commissioning Groups

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Summary

This report proposes the approach to be taken across health and social care organisations in Manchester to improve health and social care outcomes for residents, by radically transforming the health and social care system, and in the process aim to close the 'do nothing' funding gap of £134m that will materialise by 2021. Whilst the strategy being developed was perceived to close the gap, the failure of the Local Government Finance Settlement to recognise the growing pressures on social care and the impact of the NHS settlement and tariff changes has meant that the level of progress to closing the gap will not be as envisaged and without additional funding for social care, will not be achieved. There is a responsibility to ensure that the position is affordable and work is underway to bridge the remaining gap in order that a final balanced budget for the Council and Clinical Commissioning Groups can be presented for approval to the Council and Clinical Commissioning Group Boards.

As a joint report, it will be presented to the City Council's Executive and each of the Clinical Commissioning Group's Boards.

Recommendations

The Executive is recommended to approve the final proposals in this report and that these are included in the budget to Council.

Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting the Corporate Core in driving forward the growth agenda with a particular focus on integrated commissioning and delivery which will focus on utilising available resources effectively and developing a diversity of providers including entrepreneurs and social enterprises. This will provide opportunities for local jobs
A highly skilled city: world class and home grown talent sustaining the city's economic success	Integrated commissioning will focus on utilising available resources to connect local people to education and employment opportunities, promoting independence and reducing worklessness. Working with schools to engage and support our communities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote independence, early intervention and prevention, the development of evidence-based interventions to inform new delivery models integration with partners where appropriate.
A liveable and low carbon city: a destination of choice to live, visit, work	Development of integrated health and social care models and local commissioning arrangements that connect services and evidence-based interventions to local people and enable families and their workers to influence commissioning decisions aligned to locally identified needs. Schools as community hubs playing an essential role in reaching out to communities and leading early intervention and prevention approaches at a local level
A connected city: world class infrastructure and connectivity to drive growth	N/A

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences - Revenue

The proposals set out in this report form part of the revenue budget submitted to the Executive on 8 February 2017.

Financial Consequences - Capital

There are no capital consequences arsing specifically from this report.

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Background documents (available for public inspection):

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

GM Strategic Plan – Taking Charge of Our Health and Social Care
Manchester Locality Plan
Locality Plan – Financial Report – Closing the Funding Gap 2017/21 Executive October 2016

1.0. Introduction and Background

1.1. This report is the accompanying budget strategy to the Locality Plan: closing the funding gap 2017/21 report considered by the Executive and the Manchester Clinical Commissioning Group (MCCG) Boards between October – November 2016. It provides further information on the specific proposals to close the financial gap reported for the health and care system and should be read in the context of steps being taken to remodel the health and care system in Manchester through investment and reform which aims to secure improvements in health and care outcomes for residents and financial sustainability for the system by 2021.

1.2. Following six years of challenging austerity measures, social care is now being severely stress tested nationwide. Coupled with the level of demand and expectations on the health service and the requirement to deliver £22bn of health efficiencies there are significant financial and clinical challenges, which for Manchester is set down in the Locality Plan in terms of a 'do-nothing' £134m financial gap over the five years 2016-21.

1.3. The severe pressures across health and social care system and particular issues with pressures in social care are national issues and well documented. Alongside reduced social care budgets, across the country older people are living longer as well as younger people with disabilities and there are escalating levels of acuity and complexity of needs, including dementia. This is not just a Manchester problem, nationally, adult social care cannot realistically continue in the way it is organised now into the foreseeable future. 2016/17 was the last year the Council and MCCGs could undertake independent financial planning and 2017-20 is fundamentally a **'one system'** approach with the strategic direction described in the Locality Plan (three pillars), jointly agreed transformation investment priorities, a pooled fund and care models which have been developed in partnership.

1.4. This report is primarily focused on the commissioners' component of the financial challenge.

2.0. Financial Challenge

2.1. At a locality level and based upon 2016/17 opening budgets, Manchester spends a total of £1.137bn on health and social care services, excluding specialist services. This includes circa £907m on adults' health and care, £119m on children's health and care and £111m on the other services. Spending is projected to increase to £1.204bn by 2020/21. Of note, £57m of City Council services relating primarily to children's social care and safeguarding has been deemed out of scope from the Locality Plan reform pillars, leaving £1.080bn in scope.

2.2. Financial modelling has been undertaken to calculate a five year health and care financial plan for Manchester for the years 2016/17 to 2020/21 which is detailed in the Locality Plan. Taking account of pressures and demographic changes over the period, together with the estimated changes in resources for health and social care, the whole economy ‘do nothing’ gap rises from £47m 2017/18 to £134m 2020/21. This position also assumes full delivery of 2016/17 efficiency requirements (which if undelivered, will increase future savings requirements). The financial gap across 2016/17 to 2020/21, by partner, is shown in the table below. The £66m pressure shown for acute providers reflects a share for Manchester.

2.3. The acute providers’ total gap over the same period is estimated to be £211m, i.e. £145m greater than the value assumed in the Manchester Locality Plan. This reflects the non-Manchester element of acute provider business. The City Council element is further analysed between in and out of scope for the Locality Plan.

	2016/17 £'000	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**Total £'000**
Manchester City Council						
- In Scope		17,980	6,534	2,550	4,635	31,699
- Out of Scope		4,279	3,515	3,575	3,368	14,737
CCG's	-11,104	13,381	11,146	12,863	-5,101	21,185
Acute Providers	11,618	11,613	14,134	16,634	11,912	65,911
	514	**47,253**	**35,329**	**35,622**	**14,814**	**133,532**

2.4. This report is focused on the commissioners’ efficiency plans against the above target. Further work is required to establish the system wide implications of the plans in terms of ‘cashability’, particularly in relation to the targeted activity reductions, enabled through the development of new models of care supported by the Greater Manchester Transformation Fund. Clearly if deflections away from the acute sector are successful at scale, the flexibility for acute providers to exit from their existing cost base will become a key consideration requiring significant work.

2.5. The element of the above table which represents the three year <u>commissioner</u> savings target in scope for this report is as follow:

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
Manchester City Council				
- In Scope	17,980	6,534	2,550	27,064
CCG's	13,381	11,146	12,863	37,390
	31,361	**17,680**	**15,413**	**64,454**

Note the financial information contained in the above tables reflects the financial model in the Locality Plan.

2.6. The critical assumptions in the financial strategy include:

<u>City Council</u>

The above incorporated the following additional financial resources and budget pressures:

(i) A share of the overall funding reductions faced by the Council (GM local authorities are facing an average reduction of 29% in their funding available over the current Spending Review period) alongside the additional resources which have been identified for social care as follows:

- Improved Better Care Fund (IBCF) of £3.3m for 2017/18, £14.8m for 2018/19 and £24.4m for 2019/20. Whilst announced as additional funding, £800m of the national £1.5bn IBCF total is met from reductions to other grants received by local authorities, namely the New Homes Bonus (NHB); and

- The 2% additional social care precept per annum. 2% is worth £2.67m in 2017/18.

The profile of the Council reductions reflects the front loading of the reductions to Revenue Support Grant and back loading of the additional funding for social care via the Improved Better Care Fund.

(ii) Provision for the Council's estimated costs of inflation, the costs of implementing the National Living Wage and provision for the additional costs of demographic growth as set out in the table below.

Budgeted Pressures for Adult Social Care 2017/18 to 2019/20

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Apportionment of pay and non pay inflation	2,522	1,977	1,990	6,489
National Living Wage costs for commissioned services	4,258	4,258	4,258	12,774
Demographic pressures	5,585	2,585	2,585	10,755
Total	**12,365**	**8,820**	**8,833**	**30,018**

Manchester Clinical Commissioning Groups

i) CCG allocations remain in line with sums (notified and indicative) outlined in NHS England's planning guidance of December 2015.

ii) Expenditure growth remains in line with agreed locality plan assumptions, inclusive of demographic and non-demographic pressures. Whilst assumptions will be reviewed and re-confirmed for the January 2017 locality plan update, the most material anticipated change relates to the introduction of the new 'National Tariff' (known as 'HRG4+') from 2017/18 (i.e. the payment and pricing structure for remunerating acute care providers for hospital activity), which was not foreseen, nor included, in the original financial model to 2020/21. This impact could be in the region of £4.3m. Material additional efficiencies will be required if no further recurrent allocations are provided by NHSE.

iii) Delivery of all ‘business rules’ in each year to 2020/21 (including surpluses and contingencies), as required by NHS planning guidance.

iv) NHS providers are facing unprecedented financial pressures. Planning for contractual agreements in this context inevitably leads to challenges as providers seek to safeguard services to deliver quality patient care, whilst commissioners strive to agree affordable quanta, inclusive of the impact of strategic change programmes over time. The NHS contracting and planning round for 2017-2019 has concluded, three months earlier than ever required. Final agreements and financial decisions will be reflected in the updated locality plan – for both providers and commissioners – in January 2017, and are expected to have an impact on the values included in paragraph 2.2.

2.7. Updated City Council Position

The City Council’s in-year budget position on Adult Social Care is increasingly challenging. This alongside future demographic projections and the financial settlement information received 15th December, have necessitated a significant reconsideration of expectations on the potential of the integrated health and social care system to deliver savings in line with the profile in table 2.5 above.

The Local Government Finance Settlement

In the lead up to the Finance Settlement there was considerable speculation that there would be additional funding for social care. However the announcement contained no additional funding for social care for Manchester and over the three year period the Council is £1.2m worse off. The main changes are as follows:

- The core principle of an additional social care council tax precept of 2% a year will continue to apply but with the added flexibility that the social care precept can be increased by up to 3% in 2017/18 and 2018/19 although the 6% over three years cannot be exceeded. If the Council decides to do this the Council tax increase will be 4.99% in 2017/18 and 2018/19. Whilst the extra 1% will generate additional income in 2017/18 and 2018/19 this is only bringing forward, rather than adding to, the level of resources available;

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**
Additional 2% for Social Care	2,659	2,773	2,891
Additional 3% for Social Care	3,988	4,292	0
Variation	**1,329**	**1,519**	**-2,891**

- There is an additional one off adult social care grant of £240m nationally of which Manchester will receive £2.7m. The New Homes Bonus Grant will be reduced nationally by £240m to fund the Social Care Grant. The Council will lose more funding in NHB than it gains for social care with a net impact of a reduction of £0.907m in 2017/18; and

- It is also worth noting that the Public Health Grant reduces in line with the figures published last year, which reflect a cash reduction of 9.6% in addition to the £200 million of savings that were announced in 2015/16. The savings are phased in at 2.2% in 2016/17, 2.5% in 2017/18 and 2.6% in each of the following two years. As part of 100% business rates pilot the grant will be excluded from the grant conditions.

Increasing Demographic Pressures

There are significant pressures on social care budgets. The full detail is set out in the Adult Social Care report elsewhere on the agenda. In summary they relate to:

- The full year effect costs of placements for people with Learning Disabilities alongside an increased allowance for new demand for people transitioning from Children's Services as well as adults whose parents are no longer able to cope with their care. It should be noted that the full year effect cost of the care for those transferring out of Calderstones as a result of the Winterbourne View judgement is c£3.5m. It has been assumed that this will be covered by associated dowry payments from the NHS;

- The rising demand for home care, with the number of commissioned hours rising by almost 23% between April 2015 and October 2016 with a rising underlying level of demand that needs to be recognised to avoid putting unsustainable pressure on the whole health and social care system; and

- The continued demand for placements for people with mental health needs, including for older people with dementia and supporting people who are homeless. These costs are in line with those previously allowed for.

Budgeted Pressures for Adult Social Care 2017/18 to 2019/20

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
Apportionment of pay and non pay inflation	2,522	1,977	1,990	6,489
National Living Wage costs for commissioned services	4,258	4,258	4,258	12,774
Demographic pressures	5,585	2,585	2,585	10,755
Total	**12,365**	**8,820**	**8,833**	**30,018**
Additional Demographic Pressures	4,676	69	69	4,814
Total	**17,041**	**8,889**	**8,902**	**34,832**

The above will bring an increase in the total demographic pressures in 2017/18 from £5.585m to £10.261m and a total of £15.569m by 2019/20 rather than the £10.755m originally allowed for. These additional pressures alongside the lack of any additional funding in the settlement threaten to put the locality plan into an unsustainable position and pose serious questions as to whether it is realistic for the £17.980m social care financial gap to be closed in 2017/18.

Unless there is a change to the funding of social care nationally, this level of savings will ultimately have to be achieved to put the health and social care economy onto a sustainable footing. However, implementing significant cuts in Council spend will not help if all that happens is people are at risk staying in hospitals longer than necessary. Research demonstrates that every £1 cut in social care creates a 35p pressure for the NHS. Unless the development of new care models is accelerated there will continue to be an over spend and the system impacts will worsen. This places increasing importance on delivering the service change and transformation set out in this report.

2.8. In the light of the above, the Council is proposing to establish a realistic level of funding to contribute to the pooled budget and is proposing to close part of the locality plan gap through the additional input of Council resources. This will include using the 3% council tax social care precept increase to support adult social care in the first two years.

2.9. The table below sets out the additional resources that the Council is contributing to support the closure of the locality plan gap. The table highlights a net reduction from the £27.064m gap /savings target across the three years reduced by £8.304m in 2017/18 rising to £10.250m 2019/20. In order to achieve this will cost the Council an additional £12.980m in 2017/18 rising to £15.064m in 2019/20 as the additional pressures included were not originally budgeted for.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Locality Plan Target /Council Savings Target	**17,980**	**6,534**	**2,550**	**27,064**
Proposed City Council Target	5,000	3,000	4,000	12,000
Reduction In Target	-12,980	-3,534	1,450	-15,064
Add Additional ASC Pressures	4,676	69	69	4,814
Net Reduction	-8,304	-3,465	1,519	-10,250
Revised Social Care Locality Plan Gap /Savings Target	**9,676**	**3,069**	**4,069**	**16,814**

2.10. The core level of funding, or 'social care expenditure limit' which the Council would look to contribute to the health and social care pooled budget is set out in the table below (excludes Public Health). The aim is to transparently set out the funding for pressures being addressed and the additional funding allocated to reduce the overall Locality Plan financial gap.

	2017/18 £m	2018/19 £m	2019/20 £m
Base Budget	**157.69**	**156.63**	**154.81**
Apportionment of pay and non pay inflation	2.52	4.50	6.49
National Living Wage costs for commissioned services	4.26	8.52	12.77
Demographic pressures	10.26	12.91	15.57
Sub Total Additional Funding	17.04	25.93	34.83
Sub Total Contribution	**174.73**	**182.56**	**189.64**
Savings Target met from Local	-5.00	-8.00	-12.00
Add Additional Social Care Pressures	-4.68	-4.75	-4.82
Total Savings Requirement	-9.68	-12.75	-16.82
Total Pooled Budget Contribution	**165.05**	**169.81**	**172.82**
Net Increase to Contribution	**7.36**	**13.18**	**18.01**
Year on Year change		**5.82**	**4.83**

It should be noted that whilst it is expected the pool will deliver savings of £17m by the end of the three years, the contribution includes gross £34.8m additional investment into adult social care and a net addition of £18m once the savings target has been taken into account.

2.11. Updated MCCGs Position

The financial information contained in the above tables reflects the financial model in the Locality Plan, which was created at a point in time. As plans have developed / NHS planning guidance issued, these numbers have been refined. The changes for 2017/18 in relation to the CCGs are summarised below:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
MCCG's	13,381	11,146	12,863	37,390
Revisions arising from NHS Planning Guidance	1,708	0	0	1,708
	15,089	**11,146**	**12,863**	**39,098**

2.12. The update to the three year commissioner savings target in scope for this report, following the above updated is as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Locality Plan Target	31,361	17,680	15,413	**64,454**
City Council Revisions	-8,304	-3,465	1,519	**-10,250**
MCCG's Revisions	1,708	0	0	**1,708**
Revised Target	**24,765**	**14,215**	**16,932**	**55,912**

3.0. Key Enablers

3.1. One Finance System

Since 2015/16, the City Council and Manchester Clinical Commissioning Groups have operated a pooled fund, under a Section 75 agreement, to hold minimum mandated Better Care Fund (BCF) resources (2015/16: £38.586m revenue). From 2016/17, the pooled fund was expanded to include budgets covering the deemed scope of ‘One Team’ (Neighbourhood teams, Intermediate care and Re-ablement), increasing the recurrent revenue resources to £80.047m. The intention to expand the pooled fund substantially from 2017/18 is considered a key enabler to fully integrating health and social care. This is because a joint pool is more likely to encourage system-wide financial decisions, with a joint focus upon closing the funding gap and provides the mechanism for funding to flow around the whole health and social care system.

The work on developing the pooled fund agreement is underway and critically will include the development of risk and benefits share agreements on overspends and in relation to savings, respectively. Fundamentally, commissioners’ strategy, derived from national integration policy, to is to facilitate a change in funding flows from more acute based care into lower cost community provision, reshaping the cost base of the proposed Local Care Organisation and to sustain the investment in new care models. This will be managed across the system, recognising the need for sustainable acute service post-community reform.

3.2. Transformation Fund Investment

Securing investment in new service models and the delivery of a reformed health and care system is currently underway with the evaluation of Manchester’s submission for substantial transformation funding being undertaken throughout December and into the New Year. Investment is required to enable the whole health and care system to act more effectively and efficiently and will be key to levering the remodelling of the system that is required to improve health and care outcomes and close the funding gap.

Within the context of integrated health and care services within the community, investment is sought to support a strengthened approach to prevention, wellbeing and self-care; to secure a strengthened and a standardised offer of care support for all communities across the City through integrated neighbourhood teams; supporting people to be independent and live in their own homes and communities for longer; and improving access to appropriate services, to prevent recourse to costly acute sector support ahead of when it is needed.

The Transformation Fund provides the opportunity to enhance the developing neighbourhood teams. This will strengthen our community based infrastructure, through standardisation, and consistency in service provision. It equally enables our system to connect people, services and local assets through non traditional services delivered by non statutory organisations

3.3. Workforce and Organisational Development

The level of reform required to deliver the savings needed is dependent upon a significant cultural shift for staff right across the health and social care system which will drive new ways of working. Staff will come together to work in integrated teams which focus first and foremost on the person in the context of their family, community and neighbourhood rather than presenting issues or conditions. The ability of staff to work in an agile way within neighbourhoods which connect people to a diverse range of community based support and which enables people to take more responsibility for their own health and well-being, to self-care more and for longer and to access care when they need it closer to home are key. Equipping staff with evidence of what works will promote evidence-driven ways of working, connecting front-line practice to commissioning decisions will drive intelligence-lead commissioning and equipping staff to work in strength-based ways which start from the point of “what matters to you” rather than “what is the matter with you” will transform the relationship between professionals and service users and patients.

Alongside this, as new organisational models are formed, staff will be brought together to work in integrated teams that cross professional and organisational boundaries. There will be significant opportunities to learn new skills, benefit from new career pathways and to move around the system in a much more agile way to access new jobs and new opportunities.

The scale of change for staff should not be underestimated. It will be essential to ensure that there is strong engagement with staff so they understand the changes that are happening and just as importantly, bring their experiences and expertise to help to shape the design of new ways of working. Investment in change programmes and organisational development will be critical to achieving and embedding these changes which will not happen through organisational redesign alone. This work has now begun for staff whom are impacted by the development of the single commissioning function. A comprehensive programme of staff engagement is in place and the outputs from this are being utilised to help shape the vision, values and behaviours for the new commissioning function and to inform the design of the change management programme. The next phase of engagement will connect staff to the co-design of new commissioning function arrangements and the design of new care models. Important learning is already emerging from this work which will be applicable across the broader locality workforce plan.

3.4. ICT

ICT is a key enabler to delivering joined up health and social care.

Work is on going to implement an integrated ICT solution for the day to day operation of the 12 Integrated Neighbourhood Teams to ensure staff can plug back into the system when they have been working in the community using mobile technology. This includes things like access to their own systems to record and update case files and shared printing. Health and Social care systems are being updated and mobile working is being rolled out to staff who will be working in the community.

A new online portal for service users will be available in Spring which will enable people to complete online self assessments and signpost them to local community assets

There is a wider strategic options appraisal underway to agree the way forward for sharing records across the partners. This includes the use of the Manchester Care Record and its connectivity to Manchester providers and the wider GM systems.

3.5. Estates

Facilities that provide an appropriate and well maintained environment in which co-located teams can work together and hold multi-disciplinary team meetings enable the full benefits of integration to be realised.

Across health and social care, there are currently a significant number of community facilities. The majority of them are older, shared buildings which are often cramped, however, there are a fewer number of relatively new builds and larger buildings that can be used to create an environment for health and care integrated teams to work in. This has been recognised within the Manchester Strategic Estates Plan that has recently been agreed, and as a result an implementation plan is in place which maximises the available facilities in preparation for the integrated teams.

Twelve existing health and social care buildings have been identified as locality bases for the teams and planning is underway to prepare them. The preparation of the first building which is in the central locality is complete and staff are fully co-located there, and in a further building in the north there is a team that is partially co-located.

In addition, there are strategic estates plans in development for larger and more wide ranging accommodation for integration that would include housing partners and other public sector partners. Examples of these include developing plans for a new build in Gorton, in addition to developments of existing sites in North Manchester General and Withington Community Hospital.

3.6. Investment in Early Help Underpinned by the ‘Our Manchester’ Approach

The vision for Early Help extends to families and working age adults as well as older adults. It is critical that there is investment into services which provide more upstream intervention to prevent the need for more reactive expensive care either in residential, nursing or acute hospital beds and deflect the need for more expensive interventions at several touch points in some ones life. The focus needs to be on self and personalised care maximising the strengths of citizens and their community assets, to enable citizens to do more for themselves, intervene earlier, particularly with those cohorts that do not meet statutory thresholds but have complex lives and are at risk of requiring high cost packages of care e.g. to prevent unnecessary hospital admissions or delay admission into residential or nursing care. Through a key worker approach Early Help for Adults enables citizens to navigate and access the right services at the right time avoiding higher cost interventions.

The current model of adult social work is based on a traditional model of care assessment, purchasing and delivery of services. The financial challenges faced are compounded by this over dependence on a system of state service provision. To implement change, radical review and innovation is required. The new model, underpinned by the 'Our Manchester' approach, will integrate a strengthened front door and triage function with clear pathways to integrated Early Help hubs and Integrated Neighbourhood Teams. This will be for more complex cases and provide opportunities to deflect demand at each level of interaction. The population group is those of 'rising risk' and work with adults with health and social care needs at an earlier stage, working with families to identify needs whilst taking a strength based approach to encourage self care and tailoring support around citizens, their family and community.

This ability to build relationships and engage with all citizen groups enables social workers to use their specialist skills in supporting families to support themselves. This is crucial in reducing demand for services across adults and children's services.

4.0. Approach to Securing Financial Sustainability

4.1. Developing the savings plan to deliver a financially sustainable health and social care system has needed recognition of emerging components from the transformational programme, i.e. the creation and expectations of the Single Commissioning Function and Local Care Organisation; the work on GM models of care for home care and residential and nursing care and the fundamental importance of the GM transformation fund bid; and a new joint approach to business as usual arrangements used to delivering savings options through efficiencies, redesign and joint commissioning arrangements.

4.2. The scale of the challenge is unprecedented and as such, making progress has been difficult. Whilst acknowledging that the overall strategy and one system is the right way, it is complicated and constrained by organisational history and culture, differing financial rules and regulations, an understandable hesitance to accept additional financial risk and in particular, the substantial pressures on Adult Social Care.

4.3. This report is a staging post, work on finalising the three year savings programme will continue into 2017 and this recognises there may be further consultation requirements and implementation of some areas mid-year with the consequent part year affect. Critically, at this stage there are no proposals which reduce the service offer.

4.4. The Adult Social Care Directorate Budget report, elsewhere on the agenda, includes substantial proposals to address the budget pressures experienced in

2016/17 following it becoming clear that the 2016/17 budget insufficiently recognised demographic pressures and to include more sophisticated forecasting for the three year budget 2017-20. These proposals bring the Adult Social Care budget onto a more stable footing prior to inclusion in the pooled fund from 2017/18.

5.0. Change Programme

5.1. 2% Efficiency Targets on Providers

The submission to GM for Transformation Funding included a commitment to a core budget assumption of a requirement for providers to achieve a 2% business as usual efficiency target over the three year plan, as summarised in the table below.

Area	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
Acute Providers	10,724	10,724	10,724	32,172
Other Providers	5,694	5,886	6,000	17,580
Total	**16,418**	**16,610**	**16,724**	**49,752**

The Acute Provider target above will contribute towards the Acute Providers element of the financial gap, out of scope from this report as detailed at section 2.3. The Other Provider target has been incorporated but only from 2018/19 predicated on the timetable for development and full implementation of new delivery models across GM.

Transformation

5.2. Local Care Organisation

Commissioners and Providers worked together in summer 2016, with support from PWC, to develop an overall architecture for the emerging models of care required to be delivered through a Local Care Organisation (LCO). During a series of workshops a model was agreed that shows how the various services and providers come together to deliver the new models of care in a coordinated way across Manchester. This organisational architecture is at **Appendix 1**.

At the same time, a number of proposals were produced to indicate how, with investment, various parts of the model could be developed and rolled out across the City to standardise the provision of care.

The bids, totalling circa £60m, formed the basis of Manchester's GM Transformation Fund submission for out of hospital care. It was recognised that review, further detailed business planning and prioritisation would be required to assess the feasibility of each potential proposal and alignment with the care models, Cost Benefit Analysis (CBA) and overall affordability levels.

An initial review of the bids was conducted with involvement from a range of partners, against a set of criteria, agreed by the Executive finance group of the Manchester Transformation Fund Accountability Board on 11 November 2016. Work has been done more recently to cluster key investment bids around the two primary cohorts – Adults with long term conditions and Frail elderly – and to consider the delivery of associated financial benefits. Consideration was given to:

- Which proposals might make the biggest efficiency impact year 2017/18. (e.g. based upon previous pilots or other evidence)
- Which are evidence based
- Which could it be scaled up at pace
- Which could be implemented and delivered promptly for 2017/18 or 2018/19

This approach serves to provide assurance that the system is ready to transform and innovate 'as one' and to draw down the investment from the GM Transformation Fund in line with an agreed strategy to support investment in community services to improve outcomes for people and contribute to the wider financial sustainability of the system. The proposed prioritisation of the investment bids from a commissioner perspective is set out in Table 1.

Table 1 Proposed prioritisation of investment requests.

Front Door			
Start	**2017/18**	**2018/19**	**2019/20**
Q1	• Primary care referral pathways (GPSIs)		
Q2	• Enhanced Contact Officer Roles • Assistive Technology		

Neighbourhood Teams			
Start	**2017/18**	**2018/19**	**2019/20**
Q1	• Carers' support	• Palliative Care	
Q2	• Reablement • Community Urgent Care		
Q4	• Extra Care		

Acute Discharge			
Start	**2017/18**	**2018/19**	**2019/20**
Q1	• Home from Hospital		

High Impact Primary Care			
Start	**2017/18**	**2018/19**	**2019/20**
Q1	• Enhanced GP appointments		
Q3	• Specialist clinical input		

Locality Delivery			
Start	**2017/18**	**2018/19**	**2019/20**
Q1	• 7 Day GP Access • Housing Options for Older People	• Community connectors	
Q2	• Early Help Hubs • Homecare Residential and Nursing Care		

The model is based on the following key elements:

- An Enhanced Front Door. (EFD)
- A High Impact Primary Care Offer (HIPC)
- 12 Integrated Neighbourhood Teams (INTs)
- Locality and citywide services
- Acute Discharge

Underpinned with a number of key enablers such as shared ICT systems, a significant focus on workforce and a shared estate (see section 3 above).

Enhanced Front Door

Social care referrals and referrals from Primary Care to Social Care are managed through a recently improved and streamlined contact centre. In line with requirements of the new Care Act, further development work is underway to develop a Citizen's Portal to enable online self assessment, purchase of services through an e-marketplace and the development of e-financial accounts. The intention is to develop this into a wider Virtual Front Door across health and social care.

The evidence base from Calderdale shows that by adding some enhanced contact officer roles at the front door, up to 70% of requests and referrals can be dealt with, triaged and managed away from the High Impact primary Care Teams (HIPC) and Integrated neighbourhood Teams (INTs). When equipment and assistive technology is added to the mix, the potential to manage and reduce demand through an enhanced front door is increased further.

High Impact Primary Care offer

Recent data analysis of the registered population in Manchester shows that there are approximately 11,000 people who are living with frailty and other long term conditions who are considered to be at relatively high risk of an unplanned hospital admission. Currently the quality and access to health and care services is too reactive, variable and too many people end up in hospital based services for episodic care.

Evidence from around the world shows pro-active intensive primary care led support for older people with frailty and other long term conditions shows a significant reduction in admissions to hospital, out patient attendances and better patient satisfaction.

The High Impact Primary Care (HIPC) offer will establish dedicated and co-located multi-disciplinary teams, led by general practice. The team will work with neighbourhood health and care colleagues to case find those people in the local area who are recognised as frail and / or living with complex long term conditions and who are at risk of hospital admissions and delayed transfers of care. The HIPC team will proactively support people identified through assignment of key workers, establishment and implementation of patient and carer led care plans. Each HIPC team will support c1000 patients with pro-active care meetings on a monthly basis with each person being supported through this service. Local delivery of clinical, mental and social care services will be supported by rapid access to specialist advice, diagnostics and opinion from the wider health and care system.

Integrated Neighbourhood Teams

The Integrated Neighbourhood Team development to date has focussed primarily on the integration of Social Care staff including, Social Work and Primary Assessors, District Nursing, ACMs, Reablement and Intermediate Care. The teams will be using the multidisciplinary case. management method piloted successfully in the city over the last two years.

Some examples of the core offer are include, but are not limited to:
- Single Trusted Assessment;
- Person-Centred care using the strength based approach focusing on what each individual wants to achieve;
- Personalised and Collaborative Care Planning; and
- Multi-specialty decision making to reduce unnecessary duplication and patient hand-offs.

All 12 Integrated Neighbourhood Teams will have gone live by April 2017 and be focussed on reducing acute readmissions, reducing reliance on emergency social care services and reducing duplication and hand-offs. Work has already begun with Primary Care colleagues to integrate with the Integrated Neighbourhood Teams to help manage demand on higher acuity services.

Locality and Community Services

The model also recognises the importance of locality based deflection teams such as intermediate care, urgent community response services and reablement and proposes some enhanced new services such as reablement for people with complex needs and a citywide discharge to assess model. There is evidence of excellent practice that has been tested in pockets of the City and this now needs standardising across the City and rolling out City-wide. Examples include the work with Care Homes in the South, the new integrated Community Assessment and Support Service (CASS) in the North and the potential to create a single citywide community intravenous therapy team.

The role of the primary care, voluntary and community sector, the use of local community networks and assets and the wider Our Manchester approach are vital components of the new whole system approach, e.g. a Home from Hospital Service and a new model for Homecare.

Acute Discharge

The three Manchester CCGs already commission a post discharge support service where patients are contacted by telephone to ensure they are safe and well. In North Manchester, this offer has been increased to include an enhanced offer to patients to take them home, ensure the house is warm, prepare a meal and take medication. The service links closely with health and social care services. It is proposed to extend this across the City. The service, available 7 days a week would take home approx 4-5 patients per day, per site and the impact is expected to increase the number of patients whose discharge is safe and effective and reduce the no of patients being readmitted to hospital.

Financial Sustainability

The LCO is expected to contribute £49m to the savings required in Manchester's health and social care system over the period to 2020/21, including £37.6m by 2019/20.

In the October 2016 LCO Prospectus, this was estimated to include, by 2020/21:

- £19.7m from 2% per annum of efficiency savings from the health and care services in scope of the LCO.
- £11.4m from Cost Benefit Analysis work undertaken as part of Manchester's bid to the GM Transformation Fund. This bid to GM requests £49m to fund one-off and double-running costs from implementing new models of care. The CBA shows how this investment should lead to reductions in demand for acute activity (A&E attendances, Outpatient appointments, Elective and Non-Elective admissions, Acute length of stay), Prescribing and Social Care.

The CBA was initially based on five key population cohorts that place a disproportionately high demand on acute activity. These cohorts will be the initial focus for the new models of care involved in implementing the LCO. There are also prevention cohorts for adults and children with significant medium-term risks.

The CBA has recently been updated to include the High Impact Primary Care model for the 2% of patients creating the greatest demand, and how this will make a more positive impact on reducing their levels of acute activity. Also, revised phasing of the implementation, with 2017/18 to start with the two cohorts of frail older people and adults with multiple long term conditions, and the remaining five cohorts in 2018/19.

The CBA considers how the LCO activity will improve a set of outcome metrics that will lead to activity reductions in the areas outlined above. These have been tested by clinicians and system leaders for being both achievable and ambitious. The assumptions are compared to a 'do nothing' scenario and reduced for 'optimism bias' to account for the general tendency of modelling assumptions to be overly optimistic.

The CBA has then been further adjusted to show:

- Commissioner tariff savings – the numbers below represent the savings that Commissioners can make from reduced tariff payments to providers as activity reduces.

- Cashability - It is recognised that Providers will not be able to immediately reduce fixed cost elements. Further work is needed to refine and understand the cashable savings that providers can make and the resulting implications for the system. These numbers are not shown below.

The CBA also shows the proportion of savings that would be needed to be retained for reinvestment, rather than cashed. The reinvestment element would be used to sustain the new models of care beyond the period for which Manchester is bidding to GM for funding. This was originally set to 50% in each year but has now been adjusted to ramp up more gradually, with no savings now set aside for reinvestment in 2017/18.

The CBA has also been updated to review the costs of each proposal to:

- eliminate duplication;
- manage overall spending within affordable sums;
- apply assumptions about likely start dates based upon experience of implementation plans (e.g. recruitment / procurement timescales, to show that some projects will realistically take longer to start); and
- de-prioritise some projects with lower impact in the earlier years.

The LCO CBA is being developed alongside the Single Hospital System CBA to show how these pillars of the plan are mutually dependent and to give assurance that the benefits will not be double-counted

The updated CBA benefits are shown below. The contribution this is estimated to make to closing the gap is now £15.9m by 2019/20.

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
CBA benefits	8,128	13,578	13,594	35,300
Commissioner tariff savings	3,648	9,430	10,327	23,405
Amount required for reinvestment	0	2,357	5,164	7,521
Contribution to the gap	**3,648**	**7,073**	**5,163**	**15,884**

5.3. Single Hospital Service

The Single Hospital Service (SHS) pillar of the Locality Plan will involve creating a new single acute provider organisation. This will require a complex transaction to merge two Foundation Trusts (UHSM and CMFT) and then transfer a major service (NMGH) from a third Trust (Pennine Acute). A key milestone was the submission of a firm draft bid to the Competition and Markets Authority on 8 December for approval.

Detailed Benefits Analysis is now under way to show specifically how the savings will be generated, from a series of 14 clinical pathways such as cardiac, urology and women's health. Benefits are expected include improved efficiency, quality of care, patient experience, workforce development and research and innovation. This analysis will align with the CBA of the Local Care Organisation to show how the reductions in demand from transformation of out-of-hospital care will fit with a new model of in-hospital care for the patients that still require in-hospital care. The analysis will be completed by the end of January 2017. Of critical consideration, is the need to align cost and income reductions associated with hospital activity redirected to alternative community provision, as well as ensuring no double counting of benefits (e.g. through business as usual 2% per annum efficiencies and length of stay savings).

5.4. Single Commissioning Function Set up

As the first step to developing the Single Commissioning Function a joint application by the three CCGs has been submitted seeking approval from NHS England to merge to form a new Manchester CCG from April 2017. The NHSE assessment panel has considered the tests for merger in NHS England's guidance and the CCG Regulations. It has been determined that the requirements for authorisation as a new single CCG have been met, subject to the formal agreement of the GP memberships and Governing Bodies of the CCGs, and the submission of additional information such as the proposed constitution of the new CCG.

The new organisation will then form a partnership agreement with the City Council to create the Single Commissioning Function. Significant efficiencies will follow the creation of one CCG Board structure and through the development of a new joint commissioning establishment structure. The current 'As Is' cost is detailed in the table below. The CCG costs are inclusive of back office functions. The timetable to develop a new integrated establishment structure and Board arrangements is March 2017. In the interim, a £1m saving target is included for 2017/18. Developing single commissioning arrangements between the City Council and CCGs will create the opportunity for joint posts at a senior level, the opportunity to release budgets for currently vacant posts and create efficiencies relating to costs such as office accommodation.

Area	**Current Cost £'000**	**FTE**
CCG's	10,041	177.27
City Council: Commissioning	2,496	56.76
City Council: Public Health	2,169	36.36
	14,706	**270.39**

5.5. GM Model: Residential and Nursing Care and Homecare

Adult Social Care – Radical Reform at Scale and Pace represents a fundamental review across GM commissioned by Wider Leadership Team in April 2016. Developing a new model for residential and nursing care in GM is being hosted by the Strategic Director (ASC) City Council. Existing arrangements are no longer fit for purpose and typified by poor quality, poor outcomes, providers leaving the market and a lack of integration. There is considerable scope to improve consistency and quality in provision, creating opportunities for innovation and more collaborative working. Significant attention is being placed on the national 'Enhanced Care in Care Homes' framework, including learning from the six vanguard sites. This model is focused on:

(i) Providing joined up primary, community and secondary, social care to residents of care/ nursing homes and Extra Care Living Schemes (ECLS) via a range of in-reach services; and

(ii) To deliver person-centred integrated preventative care that promotes independence and supports individuals in an appropriate housing option of their choosing. Following a number of workshops, the intention is to develop a cost benefit analysis to invest in enhanced care model. It is expected this will take 3 months to develop and realistically any impact on the budget cannot be estimated at this stage but would be expected to impact from 2018/19.

Similarly, in respect of homecare, Trafford are leading on behalf of GM. In addition, the North West Directors of ASC have commissioned New Economy to develop a cost benefit analysis and full evidence review on new care models. Manchester has experienced some level of turbulence in the homecare market over the last 12 months. The strategy for 2017/18 is stabilisation ahead of future transformation. There is the specific opportunity to integrate health and social care commissioning of homecare as part of the contract renewal for 2017/18.

5.6. New Mental Health Provider

Greater Manchester West Foundation Trust is the preferred provider to take over mental health services currently provided by Manchester Mental Health and Social Care Trust. The plan is that this transaction will take place in 2016/17. The envisaged reforms to mental health services are expected to contribute a total of £4.9m savings by 2019/20 after netting off reinvestment requirements. In 2017/18, the expected realisation of savings is £0.155m.

Business As Usual

5.7. Joint Commissioning

A key savings workstream now operational is the development of an integrated approach to commissioning high cost packages of care or specific provision types, eg. Home Care and to strengthen future joint planning of provision requirements. The City Council and CCG's currently separately commission from the same providers and through the integrated approach, expect to safely reduce placement/contract costs, determine and secure value for money and achieve a better matching of provision to needs to deliver improved outcomes. In the medium term, the work should inform the development of business cases to develop future care provision, intelligence led market development will increase sufficiency across the city, manage demand and ensure quality for all placements and reduce the number of placements outside the City. The approach should also ensure better contract management.

This is a significant undertaking with approximately £123m of contracts in scope. There are substantial data collection requirements to fully record existing placement information in a consistent database that allows analysis on numbers, levels of need/complexity into bandings, length of placements, use of spot or block payment arrangements etc.

The intent is a programme of contract reviews will emerge that will be undertaken over a period of time using the latest and best approach to contract negotiations from all existing Commissioner skills and experience. The structure of the programme will be completed by the end of January for onward implementation.

This programme will also critically link to work to improve the sophistication of demographics modelling and how this is used to set a strategy for a minimum 5 year commissioning strategy. In the interim, an indicative £1m saving target per annum 2017-20 has been included.

5.8. Operational Plan shared 'Commissioning Plan' for the single health and care system

Partners have developed an operational plan of schemes which reflect efficiencies, redesign and organising services differently, without impact on eligibility or the health and social care offer. The vast majority of proposals are health related schemes, responding to new pressures to manage demand within agreed resources whilst delivering the required 'business rules'.

The programme also reflects the scale of efficiencies that has already been released from adult social care since the implementation of austerity measures in 2010.

NHS 'Right Care' information (a benchmarking methodology which identifies areas of unwarranted variation) is underpinning this work by highlighting areas of opportunity to reduce variation, improve efficiency and quality and experience for patients.

The shared Operational Plan can be broadly summarised against delivering:

- Financial sustainability across the health and care system;

- Quality and performance requirements and improvements across the City; and
- Transformation – i.e. Years 2 and 3 of the Locality Plan.

Ultimately through the delivery of these elements, the Manchester Health and Care system should reduce health inequalities, improve health and wellbeing for the Manchester population and Manchester should become a more progressive and equitable city.

At this stage, proposals for 2017/18 are indicative, business case and implementation proposals are still to be developed. The 2017/18 proposals are:

(i) Medicines Optimisation (£3.780m)

The Medicines Optimisation programme focuses on two main themes:

- The optimisation of medicines, at the point of prescription issue (using script switch) and the targeting of specific medications to switch to more cost effective alternatives, in addition to targeting medicines waste.

- Developing effective joint working with other citywide leads to identify additional opportunities, targeting Long Term Condition, specifically Respiratory, Diabetes and Mental Health.

(ii) Reduction of Out of Area Placements for patients experiencing Mental Health Issues (£0.345m)

In 2016/17 there has been a programme of work which has resulted in patients who were receiving care out of area purchased through the spot placements being moved to Braeburn House on a block contract. The continuation of this scheme will realise savings for 2017/18.

(iii) Public Health (2017/18 £0.600m, 2018/19 £0.545m)

Wellbeing Service - The new Wellbeing Service, "buzz", provided by the Manchester Mental Health and Social Care Trust (MMHSCT), has been re-modelled following the Council approved reductions in public health funding. The new service has been operational since 1 April 2016 following close working between public health commissioners and the provider to agree the detailed service model, specification and outcomes. The initial operation of the service has gone well with a successful official launch on 22nd November 2016, involving a wide range of representatives from stakeholder and partner organisations.

A key element of the new service is capacity building within communities via a network of neighbourhood health workers who will support the development of local capacity and infrastructure, linking with community groups. This function incorporates the staff of the former MCC Zest Healthy Living Service which have been aligned with and managed by the new buzz service during 2016/17. This process has identified £0.140m efficiencies that will not impact on the frontline delivery of this service, vacant posts have not been filled as buzz staff will cover the responsibilities in the new citywide model. Furthermore North Manchester Clinical Commissioning Group has agreed to invest in extra capacity in the north of the city, pending final approval of the outline business case.

Sexual Health - Specialist sexual and reproductive health services were tendered during the autumn/winter of 2015/16 with new services mobilised on the 1st July 2016. The commissioning process included setting aside a contingency budget of £0.460m to offset any shortfall in the achieving the planned re-charges to other Greater Manchester local authorities. The re-charge process has been fully implemented successfully so this contingency is identified as an efficiency for 2017/18.

2018/19 (£0.545m)
Proposals cover efficiencies from primary care public health contracts (£0.345m) which will be achieved through a joint review with the Clinical Commissioning Groups as part of the Single Commissioning Function. £0.200m will be saved from public health staff costs and overheads from the integration of functions at a Manchester and Greater Manchester level. These will be achieved through natural turnover and staff moving on to other roles within the Single Commissioning Function and the Greater Manchester Unified Population Health System.

(iv) Primary Care Productivity - other re-procurement (£0.658m)

Other contracts subject to a re-procurement exercise.

(v) Review of Out of Area High Cost Care Packages (£0.150m)

Savings in relation to out of area placements will be realised to the value of £0.150m in 2017/18.

(vi) Review of line management arrangements in Adult Social Care following the development of the Local Care Organisation (£0.510m)

A review of line management is expected to realise savings.

(vii) Planned Care (£0.273m)

The Planned Care schemes are predominantly focused on working with the clinicians and providers, using benchmarking and audit data to ensure that planned / elective care is appropriate and cost effective, and further reduce spend on ineffective or lower priority care by stricter application of effective use of resources policies.

(viii) Urgent Care (£0.320m)

There are two main areas of focus for the savings schemes; Ambulatory Care and Complex Community Response. Within Ambulatory care analysis has identified four areas with scope for improvement against national benchmarks, which may provide an initial focus for improvement in zero day Length of Stay offer, which are Gastroenteritis, Congestive cardiac failure, Hypoglycaemia and Falls. For each of these areas there will be a review of existing models. Complex Community Response is the city wide roll out of the North Manchester Crisis response model which is based on a short term crisis intervention, which keeps people who would otherwise have been admitted to hospital being cared for predominantly in their own homes.

(ix) Long Term Conditions (£2.250m)

Right Care identified significant unwarranted variation across Manchester CCGs in Respiratory Disease. A deep dive to understand the data and look for opportunities to improve outcomes and realise the savings. An initial scheme to reduce non-elective admissions for patients with COPD, Pneumonia, and Asthma was identified. However, it was also acknowledged that the opportunities spanned children’s and adults, and a system wide approach - for example, spanning primary care (linking in to the primary care standards in 2017/18), planned care, medicines optimisation, and urgent care is required. A Task force has therefore been established to take a city view approach on respiratory that will identify short, medium and long term savings opportunities. Other Long Term Condition opportunities are also being identified, although for 2017/18, the priority is proposed to be a focus on respiratory.

(x) Primary Care Standards (£1.847m)

A specific scheme is being developed to address the variation in Primary care activity, which again is in line with Right Care methodology. This scheme will focus on reducing variation in elective hospital activity, both outpatient referrals and inpatient episodes, through improved management in the community. The approach will reflect and support the transition to integrated community based care through the LCO, and for Practices working in federated models in neighbourhoods. For example, there is potential to also set target reductions at the level of the neighbourhood. It should also be noted however, that low spend on elective activity is not always the most appropriate position clinically, as it may well represent either late presentation of conditions, or lack of optimal clinical care. Therefore, a standards based approach will be adopted.

5.9 Prioritisation of Investment

As the models of care delivered through the LCO with single pathways into the Single Hospital Service develop, we will scale up investment in effective models of care and scale back models which add little value. Decisions will be required, based upon evidence, of which interventions are having a positive impact, and which interventions and pathways are being less effective and we will prioritise our resources accordingly. This will form part of our work during 2017/18 in preparation for subsequent years.

6.0. The Total Programme

6.1. The 3 year target detailed in 2.12. above is £55.912m with £24.765m in 2017/18. This report is a staging post in the development of the savings strategy. The options identified to date are summarised below and detailed at Appendix 2.

	2017/18	2018/19	2019/20	Total
	£'000	**£'000**	**£'000**	**£'000**
Revised Commissioner Target	**24,765**	**14,215**	**16,932**	**55,912**
2% Provider Efficiencies		5,886	6,000	11,886
Transformation Fund Benefits	3,648	7,072	5,163	15,883
Single Commissioning Function	1,000	0	0	1,000
GM Models: Homecare, Residential and Nursing Care	0	TBC	TBC	TBC
New Mental Health Provider	155	2,355	2,355	4,865
Joint Commissioning Review: High Cost Packages	1,000	1,000	1,000	3,000
Other Efficiencies: Operational Plan	10,733	545		11,278
	16,536	**16,858**	**14,518**	**47,912**
Shortfall (-)	**-8,229**	**2,643**	**-2,414**	**-8,000**

6.2 The programme savings have been risk assessed based on the current information available for their deliverability to realise savings in 2017/18. The table below RAG rates the schemes and also shows the potential savings that could be realised.

2017/18 Summary Programme Savings	£’000
Target	**24,765**
Green	
Medicines Optimisation	3,780
Primary Care Productivity	658
Mental Health Out of Area Placements	345
Public Health	600
Sub total	**5,383**
Amber	
Joint Commissioning Review: High Cost Packages	1,000
Single Commissioning Function Set Up	1,000

CHC - Out of Area Placements	150
New Mental Health Provider	155
Review of line management arrangements in Adult Social Care following the development of the Local Care Organisation	510
Sub total	**2,815**
Sub total - Amber and Green	**8,198**
Red	
Transformation Fund Benefits (LCO)	3,648
Planned Care	273
Urgent Care	320
Long Term Conditions - Respiratory	2,250
Primary Care Standards	1,847
Sub total	**8,338**
Total of Red, Amber, Green	**16,536**
2017/18 Shortfall	**8,229**

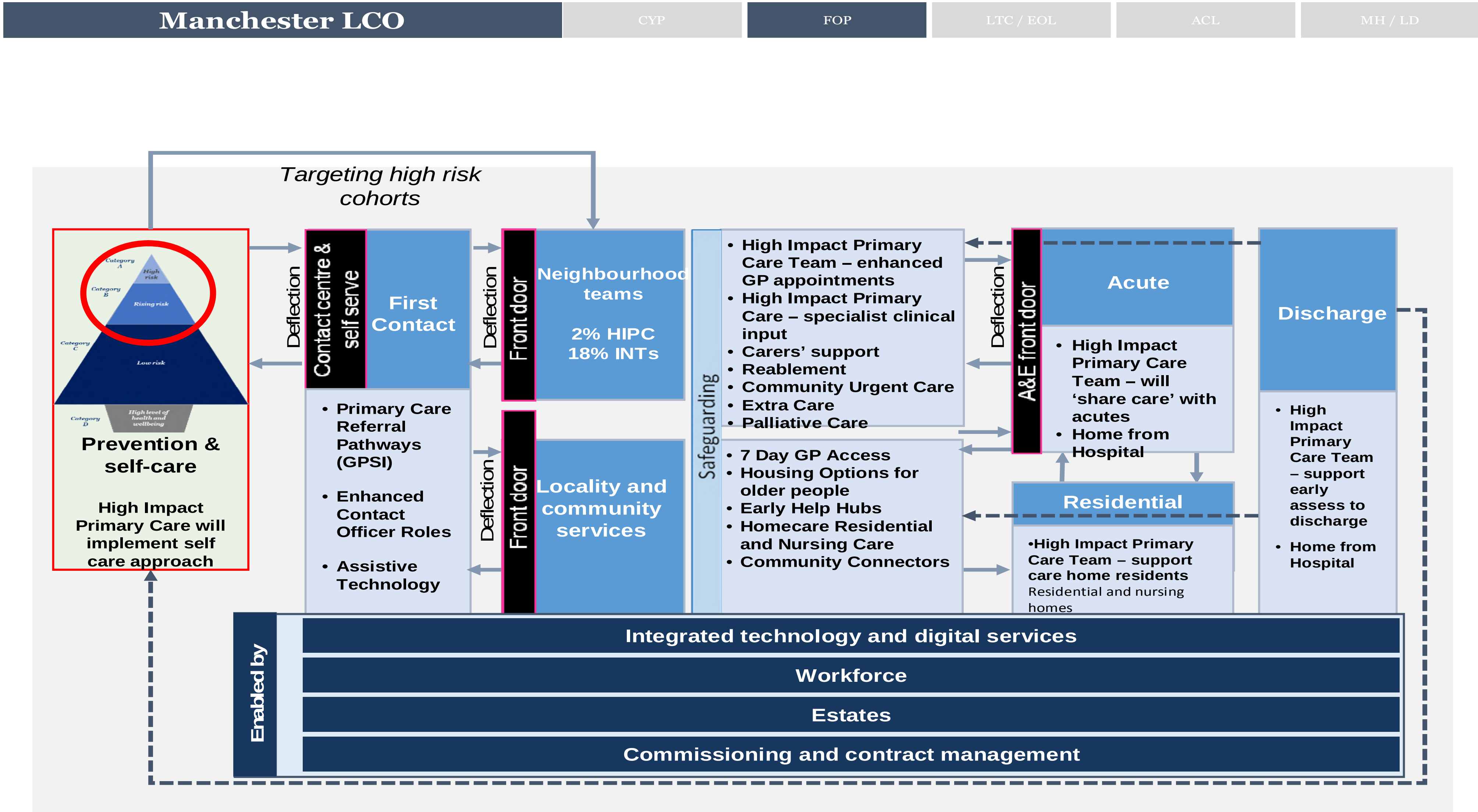
6.3. Although significant progress has been made, the failure of the Finance Settlement to recognise the growing pressures on Adult Social Care and the changes in the NHS settlement mean that this has not been achieved. Whilst funding continues to lag behind the growth in demand and unavoidable cost pressures, such as the implementation of the National Living Wage, it is unlikely that the gap will be closed.

7.0. Budget Consultation

7.1. The Council's Budget consultation process started in July 2016 with an eight week budget conversation, listening to what people valued most and what the Council needs to consider while developing the options for required savings or efficiencies. The second stage of consultation, for the budget options, was an opportunity for people to comment on the options and outline the impact they would have on them, their family and their community. One of the things that most matters to the Manchester people is protecting vulnerable people and the responses to these consultations have informed the development of the Council's proposed budget. This includes a proposal to raise Council Tax by 3% to support Adult Social Care. A third and final phase of consultation for the proposed budget starts on 3 January until 10 February 2017.

The high level direction detailed in the Locality Plan Financial Report – Closing the Funding Gap 2017-21 will be part of this consultation process as work on finalising the three year savings programme continues into 2017. There may be further consultation requirements that emerge as new care models are developed and from the specific areas detailed in this report. This will be determined early in 2017. Critically, at this stage there are no proposals which reduce the service offer and therefore, it is understood that there is not a requirement for statutory consultation activity.

Appendix 1 – The Organisational Architecture



Appendix 2

	2017/18 £''000	2018/19 £'000	2019/20 £'000	Total £'000	2017/18 Deliverability RAG
Commissioner Target	**31,361**	**17,680**	**15,413**	**64,454**	
Less: City Council Reduction	**-12,980**	**-3,534**	**1,450**	**-15,064**	
Add: Support to ASC budget	**4,676**	**69**	**69**	**4,814**	
Add: MCCG Revisions	**1,708**			**1,708**	
Revised Commissioner Target	**24,765**	**14,215**	**16,932**	**55,912**	
2% Provider Efficiencies:					
Other Providers		5,886	6,000	11,886	R
Sub-Total		**5,886**	**6,000**	**11,886**	
Transformation:					
Local Care Organisation CBA	3,648	7,072	5,163	15,883	R
Single Commissioning Function – set up	1,000			1,000	A
GM Models Homecare, Residential and Nursing Care		TBC	TBC	TBC	
New Mental Health Provider	155	2,355	2,355	4,865	A
Sub-total	**4,803**	**9,427**	**7,518**	**21,748**	
Joint Commissioning Review of High Cost Packages	**1,000**	**1,000**	**1,000**	**3,000**	A
Other Efficiencies:					
Medicines Management	3,780			3,780	G
Mental Health	345			345	G
Public Health	600	545		1,145	G
Primary Care Productivity	658			658	G
CHC – Out of City	150			150	A
Review of line management arrangements in ASC following the development of the SCF and the LCO	510			510	A
Planned Care	273			273	R
Urgent Care	320			320	R
Long Term Conditions	2,250			2,250	R
Primary Care	1,847			1,847	R
Sub-total	**10,733**	**545**		**11,278**	
Total	**16,536**	**16,858**	**14,518**	**47,912**	
Shortfall (-)	**-8,229**	**2,643**	**-2,414**	**-8,000**	

Manchester City Council
Report for Resolution

Report to: Health Scrutiny Committee – 2 February 2016
Executive – 8 February 2017

Subject: Single Commissioning Organisation

Report of: Strategic Director of Adult Social Care

Summary

The three Manchester Manchester Health and Care Commissioning groups (CCGs) and Manchester City Council have agreed to establish a single commissioning organisation for the City of Manchester by April 1st 2017. This paper marks a significant step in this arrangement through seeking the Executive's support for the merger of the three Manchester CCGs and approval of the development of a partnership agreement with Manchester City Council, thus bringing together health, social care and public health commissioning. This new organisation will be called Manchester Health and Care Commissioning (MHCC).

The paper sets out the rationale for establishment of MHCC, the progress to date, the proposition for CCGs to merge and the partnership arrangements with Manchester City Council. The paper then outlines the key next steps to establish MHCC by April 1st 2017.

Recommendations

Executive is recommended to:

1. Note the merger and establishment of the single Manchester Clinical Commissioning Group.

2. Agree to enter into a partnership agreement with the Manchester Clinical Commissioning Group and NHS England (if required) to establish single commissioning for health and social care for the City of Manchester.

3. Agree to delegate to the Clinical Commissioning Group those adult social care and public health commissioning functions as set out in this report that are capable of delegation by way of a partnership agreement with the Manchester Clinical Commissioning Group when established and authorise the Clinical Commissioning Group to enable those commissioning functions to be carried out by the Manchester Health and Care Commissioning Board.

4. Delegate authority to the Director of Adult Social Services (DASS), Director of Public Health, City Solicitor and City Treasurer in consultation with the Executive Member for Adult Services to agree the terms of the partnership agreement.

Wards Affected All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting the growth agenda with an integrated system which will make more efficient use of available resources and provide greater opportunities for local jobs and career progression.
A highly skilled city: world class and home grown talent sustaining the city's economic success	A single commissioner of Integrated health and social care will bring social value to local communities, connecting people to community assets, promoting independence and reducing worklessness.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote self care and involving local people in the design and delivery of new care models.
A liveable and low carbon city: a destination of choice to live, visit, work	Addressing the wider determinants of health will be a strong feature of all three pillars of the Locality Plan.
A connected city: world class infrastructure and connectivity to drive growth	N/A

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The new arrangements and agreement to enter into a partnership agreement is an integral element to delivering the Locality Plan three year budget strategy reported elsewhere on the agenda. The creation of MHCC and associated commissioning arrangements will realise direct efficiencies and will be a key enabler to the delivery of the significant savings required.

Financial Consequences – Capital

There are no capital implications arising directly from this report. Any capital and estates proposals will be jointly developed with the CCG and in conjunction with the council's capital strategy and budget process.

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Background documents (available for public inspection):

None.

1.0 Introduction

1.1 A Healthier Manchester (Manchester's Locality Plan) sets out a clear vision for the health and social care system in Manchester. This requires both service changes but also organisational change in all parts of the system. New organisational arrangements will drive transformation of services better and faster.

1.2 Bringing together the commissioning roles of the three Manchester CCGs and Manchester City Council into a single organisational organisation will bring benefits including:-

- A single commissioning voice
- Commissioning for integrated and proactive health and social care
- A more strategic role enabling larger scale transformation of services
- Better utilisation of our collective assets

1.3 Establishment of Manchester Health and Care Commissioning (MHCC) has been set as a direction of travel by the three CCG Boards and Manchester City Council. This organisation will commission health, adult social care and public health. This will require the merger of the three Manchester CCGs and the merged CCG then to hold a partnership agreement with Manchester City Council.

1.4 Significant progress has been made in developing the mission, vision and values of the new organisation, establishing a vision and model for clinical leadership, establishing suitable governance arrangements, appointment of a single Accountable Officer; staff engagement; and progressing the CCG merger application with NHS England.

1.5 As part of the development of MHCC the CCG Boards, and the respective membership, need to approve the merger of the three CCGs.

2.0 Strategic context

2.1 The Manchester Locality Plan 'A Healthier Manchester' sets a clear strategy for the health and social care system in Manchester. The system faces an unprecedented financial challenge, challenges with regard to quality and performance of services and persistently poor population health. The Healthier Manchester strategy sets out how to meet these challenges and is a plan that is shared by providers and commissioners; health and local authority.

2.2 The strategy sets out a series of service transformations which will change the way care is delivered and the relationship statutory organisations have with the public. The strategy sets out strengthened system level governance, building on existing Health and Wellbeing Board arrangements which will bind organisations to deliver for Manchester together.

2.3 The strategy also recognises that the system needs new organisational arrangements to implement these plans. These comprise a single hospital service which will create a single hospital trust for the City of Manchester; a local care organisation (LCO) as a single provider of integrated out of hospital care and a single commissioning organisation spanning health, social care and public health. These will enable the service transformations to be implemented better, faster and at sufficient scale to meet the financial, quality and population health challenges.

2.4 A Healthier Manchester sits as part of broader City strategies, most notably the ‘Our Manchester’ strategy which sets out an asset based approach to transformation in the City of Manchester for its health and wellbeing but also for its economy, skills, culture etc. This will form a new relationship between health and social care organisations and the population, building on the strengths and assets of people and communities, as drivers to improve health and wellbeing.

2.5 A Healthier Manchester is placed strongly with the Greater Manchester ‘Taking Charge’ strategy. Taking Charge is the strategy which sets out how Greater Manchester will meet the same challenges as set out above. It is the key strategy developed as part of the devolution of health and social care decision making to Greater Manchester.

3.0 **The development of a single commissioning organisation**

The service transformation, the strengthened system governance and the integrated provision requires a strong and well co-ordinated commissioning organisation which can commission all health, social care and public health for the City of Manchester.

A single commissioning voice:- given the changes to the provider arrangements in the City we will have fewer, larger, longer term contractual arrangements. As providers start to work on increasing geographical footprints, at the City level and larger, commissioners need to work effectively together to create a clear strategic and operational direction, means of quality assurance and synergy of commissioned services.

Co-ordinated and proactive care:- is essential to achieving population health improvements and to meet the needs of an ageing population with increasing frailty and co-morbidity. Integrated provision is dependent upon integrated commissioning and a unified investment strategy.

A more strategic role:- is needed to ensure we can lead the scale of change required and have a new relationship with providers. Through working with the Council there will be a stronger connection to strategy relating to the wider determinants of health such as housing, education and employment.

Optimising our assets:- will bring together the finance, people and other resources to create a more efficient and effective means of commissioning. It will also create wider networks to organisations and groups who can support our work.

4.0 **High level programme plan**

The programme plan follows six workstreams established on behalf of the CCGs and MCC. The programme has been overseen by a Steering Group representing the four organisations:

- Mission, vision and values led by Mike Eeckelaers and Philip Burns
- Governance led by Nick Gomm and Liz Treacy
- Strategy led by Hazel Summers, Leigh Latham and Jo Purcell
- Finance led by Joanne Newton and Simon Finch
- HR and OD led by Sharmila Kar and Kath Smyth
- Programme management led by James Williams.

5.0 **Progress update**

Significant progress has been made on the development of MHCC. Key achievements are set out below.

5.1 **Appointment of a single Accountable Officer**

Ian Williamson has been appointed as the Chief Accountable Officer for the merged CCG and for MHCC. Recruitment to the CCG Board and Executive Team will take place during February/March. A fully integrated staffing structure will then be developed and populated.

5.2 **NHS England approval of merger**

The merger has been approved by NHS England subject to a number of conditions. Pre-requisite conditions to authorisation are subject to the Boards and their membership approving the merger. These need to be confirmed by the 10th of February. Further requirements, which would not prevent authorisation, but would be conditions of authorisation are submission of the constitution, appointment of Governing Body members, completion of an equality assessment and a risk assessment. These need to be submitted by the 15th of March. The intention is to be satisfy both sets of conditions in order to be authorised without conditions by April 1st and this is considered achievable.

5.3 **Staff engagement**

5.3.1 The merger of the three CCGs will be achieved by TUPE transfer. The CCGs are carrying out consultation with the staff affected. Although MCC are not affected by this transfer, there has been parallel staff engagement in readiness for the establishment of MHCC.

5.3.2 **Clinical and professional leadership**

Clinical and professional leadership and engagement is a key feature of the new organisation. Clinical leadership has been widely recognised as one of the key strengths the establishment of CCGs has brought to commissioning. CCG Boards, member practices and other stakeholders have stated its importance in establishment of MHCC from the outset. As the scope of commissioning broadens the same principles should apply to professionals from social care and public health.

The shifting role of commissioning in parallel to establishment of the LCO will change the role of clinical and professional leadership within MHCC. It is critical that:

- Clinical leadership is a strong feature of the new organisation.
- There needs to be a clear line of communication, influence and accountability between the Board and its member practices.
- Clinical leadership is not just limited to GPs but to other health, social care and public health professionals.
- The development of clinical leadership will evolve and adapt as the LCO is established and matures.
- It is important that a City organisation does not become distant from the local level.

Within the structures, governance, working arrangements and organisational development plan there are a number of arrangements which have been established to ensure these views are reflected in the organisational design.

6. **Mission, vision and values**

One of the important outputs of the engagement work with staff and other stakeholders has been to agree what the MHCC will do, how it will be done and how it will function as an organisation. Whilst the statutory name of the merged CCG will be NHS Manchester CCG the organisation will need a name by which it is known which reflects the partnership with Manchester City Council. Then from Board to Team level all staff will work under one banner and not as CCG or MCC staff. As a result of this engagement work the organisation will be known as Manchester Health and Care Commissioning 'MHCC'.

One of the things everyone agreed during the engagement process is the value of a plain English approach and the need to avoid coming up with new phrases and slogans to describe what it is we stand for. So with this in mind 'Working for a Healthier Manchester' will be adapted as the strapline, 'A Healthier Manchester' is the name of the Locality Plan, as well as what it is agreed all organisations are working together to achieve.

There has been significant discussion as to what MHCC's vision should be. It was concluded that our vision, and that of the partners in the city, is described in the Locality Plan and to come up with a separate one would be confusing. Instead a mission statement, distilled into five statements, has been put together. This describes in more detail our ambition, what we do, how and why:

- *We are determined to make Manchester a city where everyone can live a healthier life.*

- *We will support you, and your loved ones, investing in what you tell us is important to you.*

- *We will make sure you receive the right care in the right place and at the right time, delivered by kind, caring people that you can trust.*

- *We will make the most of our money by reducing waste, testing new ways of working that improve outcomes and funding the things we know will work.*

- *We will forge strong partnerships with people and organisations, in the City and across the region, and put health and wellbeing at the heart of the plans for developing Manchester's future as a thriving city.*

Over the course of the various engagement activities there was a lot of discussion about what our values should be as an organisation. Again, it was agreed that simplicity was key and avoidance of jargon or corporate language. When all the various feedback was analysed the three values which came out most strongly were: Positive, Collaborative and Fair

These will drive how MHCC functions. Appendix one gives more detail and can be clearly mapped to Our Manchester values and behaviours.

7 Commissioning strategy

7.1 The Commissioning strategy will set out how MHCC will achieve its mission, vision and values articulated in the section above. It will describe the overall ambition and outcomes to be achieved over the next 5-10 years. The population challenges in terms of both health and social care need are addressed within the strategy, although in the spirit of 'Our Manchester', the strategy will be framed in the context of building on the assets we have in neighbourhoods and across the City to drive improvement.

7.2 As the health and care system changes, it is vital that within the commissioning strategy, we set out the approach to commissioning that MHCC will pursue. The critical difference being that the organisation will move away from operational commissioning and become increasingly strategic in its role. As a strategic commissioner MHCC will have a wider system influence and leadership role beyond health and care, recognising the interdependency between wellbeing and wider social issues including, for example, employment, housing, and criminal justice.

Strategic commissioning	**Operational commissioning**
Commissioning systems not services	Commissioning health and care services
Leadership at all geographical levels	Neighbourhood focus, engaging with local people and practitioners to ensure local needs are understood and met

Setting outcome measures for the population of Manchester and defining the broad models of care required from providers	Focus on achieving outcome measure- clear 'logic' of metric at service level to high level outcomes
Assuring the quality and safety if service provisions, directly commissioned and through the supply chain.	Service and pathway redesign
Ensuring financial and performance targets are met – system wide	Functional support to contracting, business intelligence and finance
Fulfilling statutory functions and duties	Commissioning of individual or small scale packages of care and associated market development
Strategic market management	Oversee and manage medicines optimisation across the system
Innovation in commissioning including new contracting and payment systems	
Support asset based approach and co-production through commissioning	
Alignment with broader public services	

7.3 Moving to a strategic and system leadership approach to commissioning is a significant change and will be introduced over time, supported by an organisational development plan, referenced within the strategy.

The strategy will set out the strategic aims of the MHCC; these are currently being developed, but will reflect the need to:

- Improve health population outcomes
- Develop a thriving city, reducing dependency
- Achieve a sustainable system
- Deliver equitable, high quality care and patient experience.

The commissioning priorities will be expressed as priority outcomes for the system. These are being developed over the next two months, building on existing work (e.g. the LCO prospectus), and incorporating the opportunity that a more strategic approach will offer.

7.4 In summary the strategy will set out what MHCC will aspire to achieve and the approach it will take as a strategic commissioner to do this. The impact of this change in approach will be wider than the health and care system, and will drive improvement to achieve the strategic aims outlined above.

8. Governance

8.1 Governance model

From the outset, the ambition in setting up MHCC has been to create a single commissioning function, between a merged CCG and Manchester City Council, which will be able to create an organisational arrangement which is integrated and lean and is able to make decisions on the fullest scope of CCG and MCC's commissioning responsibilities as possible.

8.2 **MCC delegation of functions**

MCC can delegate those functions that it is allowed to do so by virtue of the National Health Service Act 2006 ('the NHS Act'), the Care Act 2014 ('the Care Act') and Regulations.

NHS Act 2006

8.3 Under the NHS Act local authorities and NHS bodies can enter into partnership arrangements to provide a more streamlined service and to pool resources, if such arrangements are likely to lead to an improvement in the way their functions are exercised.

8.4 The powers permit the formation of a fund (pooled budget) made up of contributions by both parties "out of which payments may be made towards expenditure incurred in the exercise of both prescribed functions of the NHS body or bodies and prescribed health-related functions of the authority or authorities" and the exercise of prescribed functions by each party.

8.5 These powers give rise to the three Health Act "flexibilities", namely:

- Pooled budgets.
- Lead commissioning.
- Integrated provision

8.6 Regulations set out the rules governing health and social care partnership. They specify what functions can and cannot be delegated. Delegable functions include:

- Social services and community care.
- Sports and leisure.
- Housing.
- Mental health.
- Residential care services for people with learning difficulties.
- Youth services.
- Numerous responsibilities under the Children Act 1989.
- Functions under the Education Acts.
- Deprivation of liberty functions under the Mental Capacity Act 2005
- Provision of healthy start vitamins.
- Numerous other functions, including those relating to waste collection and disposal, environmental health services, and highways and passenger transport functions

Care Act 2014

8.7 Under the Care Act most adult social care functions can be delegated although some are not capable of delegation and must remain with the council.

8.8 The duties and functions of the City Council as exercised by the Director of Adult Social Services (DASS) are set out in the Constitution. In addition to the specific obligations of the DASS the Care Act has brought together a wider set of duties than previously set out in legislation. Whereas previously the core Council obligations were to meet assessed, eligible need the Care Act widened or re-defined the core duties as:

- Prevention
- Promotion of wellbeing
- Co-operation
- Assessment (both those in need of services plus their carers)
- Provision
- Market shaping
- Safeguarding

8.9 Under the Care Act local authorities are generally able to delegate all of their Care Act functions with a few exceptions.

8.10 Section 79 of the Care Act lists those exceptions and expressly does not allow the Council to delegate the following Council's functions:

- A duty on the Council to exercise its functions under the Care Act "with a view to ensuring the integration of care and support provision with health provision and health-related provision".
- A duty on the Council to co-operate generally with "each of its relevant partners" and to co-operate "in specific cases".
- The Council's "power to charge for meeting needs under sections 18 to 20 of the Care Act".
- A duty on the Council in relation to Safeguarding adults at risk of abuse and neglect, which includes the duty to "make enquiries" where the Council has "reason to suspect" that an adult "(a) has needs for care and support (whether or not the authority is meeting any of those needs), (b) is experiencing, or is at risk of, abuse or neglect, and (c) as a result of those needs is unable to protect himself or herself against the abuse or neglect or the risk of it".
- The duty of the Council to establish a "Safeguarding Adults Board"

8.11 Care and Support Statutory Guidance clarifies section 79 of the Care Act and provides guidance on its interpretation and implementation.

8.12 The effect of the legislation and the statutory guidance supporting it is that:

- Integration and cooperation duties cannot be delegated. Local authorities must cooperate and integrate with local partners. Delegating these functions would not be compatible with meeting their duties to work together with other agencies.

- Certain safeguarding functions may be delegated under s.75 partnership arrangements save for the duty to establish a Safeguarding Adults Board (SAB). Since the local authority must be one of the members of the SAB, and it must take the lead role in adult safeguarding, it may not delegate this function to another party
- The power to charge under the Care Act under section 14 of the Care Act cannot be delegated as local policies relating to what can and cannot be charged for must remain a decision of the local authority. However, it may commission or arrange for other parties to carry out related activities and the Council can enter into partnership arrangements whereby a health body is able to exercise the Council's function of making a charge for the provision of adult social care services provided pursuant to sections 18 to 20 of the Care Act).

8.13 It is clear that ultimate responsibility for delegated functions will still rest with the local authority. Where delegation is permitted, its primary effect is to enable the delegated body to perform the function on behalf of the public authority. Therefore, the actions of the delegated body are treated as actions of the public authority. The essence of delegation is that the public authority retains responsibility for the actions of the delegated body i.e. any acts /omissions by the delegated body will be treated as done / omitted to be done by the local authority.

8.14 Individual wellbeing should always be central to any decision to delegate a function and local authorities should not delegate its functions simply to gain efficiency where this is to the detriment of the wellbeing of people using care and support.

8.15 In order to meet the Council's legal obligations and to ensure that the single commissioning function meets its strategic objectives it is proposed that all adult social care and public health functions that can be lawfully delegated to the single Manchester CCG are delegated. It should be noted that the DASS and Director of Public Health roles will remain within and accountable to the Council whilst also having accountability to the CCG Accountable Officer

<u>Public Health functions</u>

8.16 Since 1 April 2013 local authorities have been responsible for improving the health of their local population and for public health services including most sexual health services and services aimed at reducing drug and alcohol misuse. The Secretary of State continues to have overall responsibility for improving health – with national public health functions delegated to Public Health England.

8.17 Under s.2B(1) of the NHS Act: "Each local authority <u>must</u> take such steps as it considers appropriate for improving the health of the people in its area". Examples of the steps which may be taken include:

- providing information and advice;

- providing services or facilities designed to promote healthy living (whether by helping individuals to address behaviour that is detrimental to health or in any other way);
- providing services or facilities for the prevention, diagnosis or treatment of illness;
- providing financial incentives to encourage individuals to adopt healthier lifestyles;
- providing assistance (including financial assistance) to help individuals to minimise any risks to health arising from their accommodation or environment;
- providing or participating in the provision of training for persons working or seeking to work in the field of health improvement;
- making available the services of any person or any facilities.

8.18 Further, every local authority is required to provide or make arrangements for the provision of:

- health checks to eligible people in its area;
- health visitor services.
- sexual health services;
- public health advice to local CCGs;
- information and advice to other public bodies in its area (e.g. the police) to promote the preparation of health protection arrangements or participation in such arrangements by those bodies.

8.19 Other local authority functions include a duty to provide for the medical inspection and medical treatment of pupils attending maintained schools and the power to provide similar services to pupils attending other schools and the weighing and measuring of junior pupils.

Directors of Public Health

8.20 The Council is required to appoint a Director for Public Health who has responsibility for ensuring that the Council's public health duties are complied with.

Delegation of Public Health Functions

8.21 Partnership Regulations set out those health related functions of a local authority that can be subject to s.75 partnership arrangements. Regulation 5 lists the health related functions of a local authority which include:

- the functions of local authorities under or by virtue of sections 2B NHS Act; or
- s. 6C(1) of the NHS Act; or
- Schedule 1 to, the NHS Act

Board arrangements

8.22 The City Council can only delegate its functions to the CCG but it cannot be a member of the CCG or its Governing Body. In light of this, it has therefore been agreed to pursue an organisational governance model whereby the CCG delivers its statutory functions, duties and delegated functions through further delegation and authorisation to:

- **A MHCC 'Board'** - a committee of Manchester CCG that discharges the vast majority of CCG functions and is authorised to carry out the functions that are delegated to it from the CCG and the functions delegated to the CCG from the City Council. This is considered the most legally suitable mechanism to achieve the best governance structure. Whilst the legal host of the function will be Manchester CCG this will be a partnership of equals with Manchester City Council. The City Council will be represented on the Board by the DASS, and 2 Executive members. The Board will be supported to discharge its functions through a number of committees which will also include City Council representation, as follows:

    - Finance and Contracting Committee
    - Quality and Performance Committee
    - Clinical Committee
    - Joint Executive Committee
    - Governance Committee
    - Patient and Public Advisory Group.

8.23 The Board will be established in such a way that it can also receive delegated functions from other bodies such as NHS England with the intention being that the fully delegated commissioning arrangements for primary medical services are managed through the Board. In the event that this is not agreed a Primary Care Committee will be established and will meet 'in common' with the Board.

8.24 The CCG Governing Body will be responsibility for the specific CCG statutory functions required through legislation and agreeing partnership agreements.

8.25 The City Council Executive and DASS will remain responsible for the Council's statutory functions.

Partnership agreement with Manchester City Council

8.26 The details of the Partnership agreement between the CCG and Manchester City Council will be described within a co-signed Partnership agreement which will detail the 'rules' of the partnership including:

- General principles
- Partnership flexibilities
- Functions within the scope of the agreement
- Commissioning arrangements
- Establishment of a pooled fund
- Pooled fund management

- Financial contributions
- Non-financial contributions
- Risk share arrangements, overspends and underspends
- Liabilities, insurance and indemnity
- Standards and conduct of services
- Conflicts of interest
- Governance
- Terms of review
- Termination and default.

8.27 The Agreement will detail those functions to be delegated as set out above. Work to finalise this agreement will continue through February with Legal Services and the CCG's legal advisors.

8.28 Constitutional arrangements

The constitution of the newly formed CCG will be drafted to align with the partnership agreement, the delegations and overall governance of the CCG set out above, including the delegation of primary care function from NHS England. Manchester City Council's constitution will be amended to reflect any changes in the delegations of its statutory functions.

9. Human Resources and organisational development

9.1 CCG Governing Body

Members of the CCG Governing Body are as follows.

- Chair
- Lay member for governance (vice-chair)
- Lay member for governance
- Lay member for patient and public engagement
- Secondary Care Doctor
- Nurse
- Chief Officer
- Chief Finance Officer

Each member of the Governing Body is also a member of the Board. It should be noted that the City Council cannot be a member of or sit on a CCG governing body.

9.2 The Board

The MHCC Board will fulfil the functions as set out in section 8.22. This will be the pre-eminent decision making group of MHCC. Its membership will be as follows:

- Chair

- GP Board member
- GP Board member
- GP Board member
- Lay member for governance
- Lay member for governance
- Lay member for patient and public involvement
- Executive Councillor as nominated by Manchester City Council
- Executive Councillor as nominated by Manchester City Council
- Manchester City Council DASS
- Secondary Care Doctor
- Board Nurse
- Chief Accountable Officer
- Chief Finance Officer

Joint Executive Team members will be in attendance and other senior officers as appropriate.

9.3 **Joint Executive Team**

The Joint Executive Team structure has been developed as a result of engaging in discussions with a range of stakeholders. The proposed structure has the potential to radically shape the way the work is undertaken in Manchester. The team needs to be different from previous and current structures to reflect the nature of reform and transformation in the City.

Key design principles:

- The team needs to be a blended team across health and social care
- The team needs to work with a high degree of cross-directorate working
- The team needs to reflect innovation and signal accelerated change
- The team form needs to be radical and brave
- The team needs to be small in number and flexible
- The skill set of the team needs to be appropriate and the best possible for the task in hand, which may require new skill combinations
- The team will need to deliver upon finance, strategy, transformation and reform, innovation, improvement and quality.

The proposal is to recruit six executive director roles, which would report directly to the Chief Accountable Officer. The six direct report posts will have corporate responsibility across the health and social care agenda, but will have lead areas of responsibility. The team will work closely as one unit to ensure integration of expertise and provide business continuity. The posts will have a focus upon system leadership.

The posts are:

- Chief Finance Officer
- Medical Director
- Director of Strategic Commissioning (this role will also carry the statutory functions of the Director of Adult Social Care)

- Director of Planning and Operations
- Director of Nursing
- Director of Population Health and Wellbeing (this role will also carry the statutory functions of the Director of Public Health)

MHCC will begin formal operations from April 2017 and will develop during the year. It is anticipated that the development of the LCO and MHCC will see a shift in operational functions to the LCO. As a result MHCC Executive Directors' portfolios will develop and be reviewed.. There is a firm intention to undertake all necessary processes so the Governing Body, Board and Joint Executive Team can begin operations effectively from April 2017.

10. **Finance**

10.1. The intention to expand the pooled fund substantially from 2017/18 is considered a key enabler to fully integrating health and social care. This is because a joint pool is more likely to encourage system-wide financial decisions, with a joint focus upon closing the funding gap and provides the mechanism for funding to flow around the whole health and social care system.

10.2. A Section 75 agreement is the mechanism used to establish a pooled fund. Section 75 of the National Health Service 2006 Act gives powers to local authorities and health bodies to establish and maintain pooled funds out of which payment may be made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed National Health Service functions. The Section 75 agreement forms the governance framework and includes decision making responsibilities, reporting arrangements, dispute resolution and finance rules including permitted expenditure and risk sharing.

10.3 The overall Integrated Commissioning Budget (ICB) for the MHCC partnership will indicatively be made of the following funds:

(i) Those budgets that can be pooled under S75 (pooled budgets);

(ii) Those budgets that legally cannot be pooled under the S75 arrangements (aligned budgets); and

(iii) Other budgets which are not pooled (in collaboration budgets).

<u>Manchester City Council</u>

10.4 The Executive's 2017-20 budget proposals are detailed elsewhere on the agenda. The budget proposals outline a core level of funding, or 'social care expenditure limit' which the Council would look to contribute to the health and social care ICB, which is set out in the table below (Public Health excludes approximately £15m of Children's Public Health within other Directorate cash limits).

	2017/18 £m	2018/19 £m	2019/20 £m
Base Budget	**157.69**	**156.63**	**154.81**
Apportionment of pay and non pay inflation	2.52	4.50	6.49
National Living Wage costs for commissioned services	4.26	8.52	12.77
Demographic pressures	10.26	12.91	15.57
Sub Total Additional Funding	17.04	25.93	34.83
Sub Total Contribution	**174.73**	**182.56**	**189.64**
Savings Target met from Local	-5.00	-8.00	-12.00
Add Additional Social Care Pressures	-4.68	-4.75	-4.82
Total Savings Requirement	-9.68	-12.75	-16.82
Total Pooled Budget Contribution	**165.05**	**169.81**	**172.82**
Net Increase to Contribution	**7.36**	**13.18**	**18.01**
Year on Year change		**5.82**	**4.83**

10.5 The Council's indicative adult social care ICB contribution would increase from £165.05m 2017/18 to £172.82m in 2019/20. The intention is to maximise the pooled budget component, subject to the following:

(i) There are certain local authority functions which cannot be pooled and they are:

- Section 14 of the Care Act 2014 (power to charge)
- Section 17 of the Care Act 2014 (assessment of financial resources)
- Section 69 of the Care Act 2014 (recovery of charges, interest etc.)
- Regulations under section 2(3) of the Care Act 2014 (charging for preventing needs)
- Section 6 of the Local Authority Social Services Act 1970 (appointment of a DASS)
- Section 3 of the Adoption and Children Act 2002 (maintenance of adoption service)
- Sections 114 of the Mental Health Act 1983 (AMHP approval)
- Section 115 of the Mental Health Act 1983 (power of entry

(ii) The Strategic Director consider the following services should be deemed out of scope or phased for future years:

- Adult Safeguarding and Quality Assurance as these Council's statutory functions cannot be delegated

(iii) Agreement on the integration of budgets for Children's Services.

10.6. The final Council pooled budget contribution will be set using the table above but adjusted once work to complete the analysis of budgets which cannot be pooled (to be Aligned budgets) and other choices not to or to phase the pooling (to be In Collaboration budgets until pooled) is completed.

Manchester Clinical Commissioning Groups (CCGs)

10.7. CCG resources allocations, including those allocations to support primary care delegated functions, were agreed by NHS England in December 2015. These allocations provided detail of agreed funding for CCGs for 2016/17-2018/19 and indicative funding for 2019/20 and 2020/21. In setting allocations NHSE utilised the nationally agreed formula to ensure reflection of health needs at CCG level. Financial plans for revised single commissioning arrangements will be developed on the basis that budgets set will reflect national allocation policy at a CCG level with the need to underpin strategy objectives and VFM.

10.8. The newly formed CCG will inherit the allocations from the three legacy organisations. These are shown in the table below:

		2017/18				2018/19			
		NMCCG	SMCCG	CMCCG	**Total**	NMCCG	SMCCG	CMCCG	**Total**
		£m	£m	£m	**£m**	£m	£m	£m	**£m**
Recurrent	CCG core	288	239	260	**787**	294	244	266	**804**
	Primary care	32.3	23.8	31.3	**87.5**	33.7	24.8	32.5	**91**
	Running costs	4.12	3.65	4.47	**12.2**	4.12	3.66	4.46	**12.2**
	Total	324	267	296	**887**	332	272	303	**907**
Non Recurrent	Draw down	3.04	0	0	**3.04**	0	0	0	**0**
	HRG4+	1.01	0.09	0.59	**1.7**	1.03	0	0.6	**1.72**
	IR	1.26	-0.1	0.82	**2.02**	1.28	0	0.83	**2.05**
	Total	5.32	0.03	1.41	**6.76**	2.32	0.03	1.43	**3.77**
	Surplus cfwd	3.03	2.41	2.63	**8.06**	3.03	2.43	2.66	**8.12**
	TOTAL	**332**	**269**	**300**	**902**	**337**	**275**	**307**	**919**

NHS Manchester CCG will have a total allocation of £902 million in 2017/18 and £919m in 2018/19. Financial plans have been prepared for North, Central and South Manchester CCGs and were submitted to NHSE in December.

10.9 The final health contribution to the pooled budget will also be determined taking into account:

(i) The budgets which cannot be pooled under current legislative restrictions; and

(ii) Legal advice in relation to primary care commissioning (PCC) due to restrictions surrounding double delegation of budgets from NHSE.

10.10 From 1st of April 2017, it is expected that the following will be in place:

- The merger of three CCGs into one legal organisation, bringing together allocations, financial systems and budgetary control;

- An ICB with Manchester City Council covering the majority of health and social care expenditure with the element formally pooled maximised;

- Joint financial reporting, showing the total commissioning financial position, i.e. the whole ICB; and

- The development of a joint financial framework.

10.11. Further work will take place during 2017/18 to fully integrate health and social care financial systems and staff, to undertake due diligence on opening budgets and to develop a more sophisticated approach to risk and benefit shares. This will be necessary for the effective operation of a fully integrated pooled budget that enables resources to be more flexibly deployed to meet priorities and to support the development of the Investment Agreement required to underpin the GM Transformation Fund investment.

11 Requirements set out by CCGs in supporting the direction of travel

CCG Boards identified a number of key issues which they considered important in establishment of new commissioning arrangements. The response to these has been set out in the sections above. These are referenced below to demonstrate that plans that have taken note of these issues.

- The importance of clinical leadership is agreed across the system. The establishment of MHCC has:
    - Set out a new vision for clinical leadership
    - Established governance which ensures clinical leadership is ‘wired’ in the operations of the organisation including:
        - The clinical committee which creates a direct line between Board and member practice
        - Clinical membership of the Board, Committees and other working groups.

- In becoming a larger organisation, across a wider geographical footprint, it is important that there is a strong connection to neighbourhoods. Again, the governance and roles outlined above will ensure this, including:
    - Named GP Board members will have a specific responsibility to link with a number of defined neighbourhoods
    - The Clinical Committee will include clinical representation from each neighbourhood
    - The Patient and Public Advisory Group will include representation from each neighbourhood

  - o There will be an ongoing programme of community engagement, overseen by the PPAG and Lay representative for Patient and Public Involvement.

- It was important that North Manchester's increased allocation, due to historic underfunding in that area, was not lost. The three Manchester CCG Boards have agreed that an investment budget will be established to support investment in improvement in the North Manchester area in 2017/18.

12 **Implementation milestones**

The following section outlines the priority work in developing MHCC and also sets out MHCC's key priorities for the next eighteen months.

13 **MHCC Development**

Key actions for the next three months are:

- Mission vision and values
  - o Agree and communicate

- Governance
  - o Memberships' approval of merger
  - o NHSE authorisation of NHS Manchester CCG
  - o Establishment of partnership agreement with Manchester City Council
  - o Schedule and plan Board and Committee meetings

- HR & OD
  - o Appointment of Governing Body, Board and Executive Team
  - o Development of integrated staffing structure

- Finance
  - o Establish financial systems for Manchester CCG
  - o Agree pooled budget arrangements for 2017/18

- Logistics
  - o Short term office and IT solutions
  - o Develop medium term plan for estates and IT

14 **MHCC Forward Plan**

Programme	**Jan-Mar '17**	**Apr-Sep '17**	**Oct '17 - Mar '18**
Commissioning	Establishment of MHCC through CCG merger and partnership with MCC. Strategy in place. Our Manchester projects established	Fully operational, workplan for full financial integration across health and social care agreed	Agreed plan for Children's commissioning integration

LCO	Issue of provider PIN, commission new care models, social care market shaping plan, nursing & residential action plan	Provider selection complete. Alliance agreement for 2017/18	Contract agreed for April '18 start
Single hospital service	Identification of benefits, progress with CMA, plan for NMGH	UHSM & CMFT merge, plan for NMGH in place	Timetable for NMGH inclusion agreed
Transformation	GMTF income and expenditure agreed, overall benefits of locality plan agreed. LCO funding for new care models	Delivering early services, especially in the LCO	Transformation programmes aligned to LCO provider
Mental health	Successful arrival of new provider - 4 agreed priorities	Delivering services effectively, integration plan to LCO in place	
Finance	Agree budget and savings plan for 2017/18	Delivery of financial plan	Agree budget and savings plan for 2018/19
Quality and performance	Key priorities e.g. DToC, NMGH	Delivery of Quality & Performance objectives	Delivery of Quality & Performance objectives

15 Risks and issues

In the November CCG Board papers a summary of key risks of establishing MHCC and also of not doing so were provided. This risk assessment is included in the table below with a current status for risks against establishment.

Risk as at Nov '16	**Current position**	**Mitigations**
Cultural and business practice differences between the four partner organisations.	Significant progress has been made with both culture and business practice. The OD programme has been very strong.	Further OD work as set out above. In addition a stocktake of systems and processes is being undertaken to support development of a unified operating model
The timeframe for implementation is challenging.	All critical timescales have been met to date. The remaining milestones are also significantly challenging.	A project team is now in place and workstreams are well resourced.
The implementation timescale is reliant upon NHS England approval processes.	NHS England have approved the merger subject to CCG Board and member approvals.	Strong proposition to CCG Boards. Intense engagement with GP memberships.

Legal and regulatory barriers might be an impediment to the ideal governance arrangements	A suitable governance arrangement has been identified which will allow MHCC to work effectively. Drawing up of the appropriate agreements and seeking approvals is still required	Working with legal teams of MCC and CCGs and liaison with senior leadership to ensure arrangements are satisfactory.
The opportunity cost in terms of workforce	There is still significant time commitment from CCG/MCC staff for MHCC development. However, this will start to reduce from April. Efficiencies in new ways of working are expected to offset this in the short and longer term.	Additional appointments supporting MHCC development.
The time to implement a pooled budget and associated risks	Development of a roadmap towards full financial integration over a two year period.	Work progressing between finance teams.

Risk assessment of MHCC development.

For information the risks set out in the November paper, of not establishing MHCC were.

- Continued sub-optimal working leading to City workstreams with unclear leadership, governance and decision making
- Unacceptable levels of stress within the workforce and increased staff turnover due to stress and uncertainty
- An incompatibility of commissioning arrangements with the external environment e.g. (GM Partnership and provider configuration)
- The financial and performance implications of not progressing transformation programmes at sufficient pace due to sub-optimal working arrangements.

16. **Recommendations**

As above

Appendix 1

We will be:	This means:	So we will: (Examples below for illustrative purposes)
Positive	We are proud of Manchester	Work with partners to deliver the city's Our Manchester strategy
	We work hard to deliver for local people	Commission to promote social value
	We do what we say we will	Deliver 100% of our operational plan each year
	We are proactive, creative and ambitious	Try new things
	We act quickly	Reduce bureaucracy and speed up decision making
	We recognise the strengths of individuals and communities	We support and develop community assets through our commissioning work
Collaborative	We listen to, and act on, what people tell us	Evidence how local people's view have impacted on our work
	We will be open and honest	Hold Board meetings in public and publish as much as we can
	We are active partners to work with	Play our part in delivering Manchester's priorities
	We will work on a neighbourhood basis	Our neighbourhoods will influence our decision making
	We value our employees	Create healthy, reflective workplaces where we innovate and learn together
	We will influence regionally and nationally	Play an active role in GMHSCP and share our good practice
	We will be clinically/professionally led	Have clinicians and professionals throughout our organisational structure shaping and informing decision making
	We will work with all communities of place and identity	We will constantly monitor and evaluate Manchester's rapidly evolving population and reach out to all communities to ensure their needs are reflected in the service we commission
Fair	We address health inequalities	Invest more in areas with poor outcomes currently
	We will make unbiased decisions	Our decisions will be based on evidence and data
	We will engage and empower our workforce	Our workforce practices, policies and development processes will shape our values

	We recognise and value diversity and inclusion	Act on the views and experience of different communities
	We will develop equitable high quality services across Manchester	Swiftly address examples of poor quality care

Appendix 2 Duties of the DASS and Adult social care functions

1. DASS

The local authority shall take steps to ensure that the post holder is given the necessary authority, is enabled/given the necessary resources to provide professional leadership (including delivering workforce planning in social care and deliver the cultural change necessary to implement person-centred services and to promote partnership working, and such other responsibilities as the local authority determines.

The local authority shall ensure that the DASS is made accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended), other than those for which the Director of Children's services is responsible.

Local authorities shall ensure that the DASS is directly accountable to the Chief Executive of the local authority and comparable in terms of seniority, with the Director of Children's Services.

2. The statutory role of the DASS

The DASS's key leadership role is to deliver the local authority's part in:

- Improving preventative services and delivering earlier intervention
- Managing the necessary cultural change to give people greater choice and control over services
- Tackling inequalities and improving access to services
- Increasing support for people with the highest levels of need

There are seven key aspects to be included in the DASS's remit:

(i) Accountability for assessing local needs and ensuring availability and delivery of a full range of adult social services
(ii) Professional leadership, including workforce planning
(iii) Leading the implementation of standards
(iv) Managing cultural change
(v) Promoting local access and ownership and driving partnership working
(vi) Delivering an integrated whole systems approach to supporting communities
(vii) Promoting social inclusion and wellbeing

3. Adult social care functions

3.1 The following adult social care are functions specified in Schedule 1 to the Local Authority Social Services Act 1970:

3.1.1 Functions under section 49 of the National Assistance Act 1948 (Defraying expenses of local authority officer applying for appointment as deputy for certain patients);

3.1.2 Functions under section 3 of the Disabled Persons (Employment) Act 1958 (Provision of facilities for enabling disabled persons to be employed or work under special conditions);

3.1.3 Functions under section 8 of the Mental Health Act 1959 (Welfare and accommodation of mentally disordered persons);

3.1.4 Functions under section 5(1)(b) of the Health Visiting and Social Work (Training) Act 1962 as extended by section 45(9) of the Health Services and Public Health Act 1968 (Research into matters relating to local authority welfare services);

3.1.5 Functions under section 1 of the Chronically Sick and Disabled Persons Act 1970 (Obtaining information as to need for, and publishing information as to existence of, certain welfare services; providing information about certain welfare services);

3.1.6 Functions under section 2 of the Chronically Sick and Disabled Persons Act 1970 (Provision of certain welfare services);

3.1.7 Functions under section 2A of the Chronically Sick and Disabled Persons Act 1970 (Welfare services: transition for children to adult care and support in England);

3.1.8 Functions under sections 6 and 7B of of the Chronically Sick and Disabled Persons Act 1970 (Appointment of [director of adult social services or director of social services, etc; provision and conduct of complaints procedure)

3.1.9 Functions under section 18 of the Chronically Sick and Disabled Persons Act 1970 (Provision of certain information required by Secretary of State);

3.1.10 Functions under Schedule 5 to the Supplementary Benefits Act 1976 (Provisions and maintenance of resettlement units for persons without a settled way of living);

3.1.11 Functions under Parts II, III and IV of the Mental Health Act 1983 (Welfare of the mentally disordered; guardianship of persons suffering from mental disorder including such persons removed to England and Wales from Scotland or Northern Ireland; exercise of functions of nearest relative of person so suffering);

3.1.12 Functions under Parts II, III and IV of the Mental Health Act 1983 - welfare of the mentally disordered; guardianship of persons suffering from mental disorder including such persons removed to England and Wales from Scotland or Northern Ireland; exercise of functions of nearest relative of person so suffering

3.1.13 Functions under sections 66, 67 and 69(1) of the Mental Health Act 1983 (Exercise of functions of nearest relative in relation to applications and references to the First-tier Tribunal);

3.1.14 Functions under section 116 of the Mental Health Act 1983 (Welfare of certain hospital patients);

3.1.15 Functions under section 117 of the Mental Health Act 1983 (After-care of detained patient);

3.1.16 Functions under section 117A of the Mental Health Act 1983 (Functions under regulations about provision of preferred accommodation under section 117);

3.1.17 Functions under section 130 of the Mental Health Act 1983 (Prosecutions);

3.1.18 Functions under section 130A of the Mental Health Act 1983 (Making arrangements to enable independent mental health advocates to be available to help qualifying patients);

3.1.19 Functions under section 46(2) and (5) of the Public Health (Control of Disease) Act 1984 (Burial or cremation of person dying in accommodation provided under Part III of the National Assistance Act 1948, and recovery of expenses from his estate);

3.1.20 Functions under section 213(1)(b) of the Housing Act 1996 (Co-operation in relation to homeless persons and persons threatened with homelessness);

3.1.20 Functions under sections 1 to 4, 5(5), 7 and 8 of the Disabled Persons (Services, Consultation and Representation) Act 1986 (Representation and assessment of disabled persons);

3.1.21 Functions under section 46 of the National Health Service and Community Care Act 1990 (Preparation of plans for community care services);

3.1.22 Functions under section 47 of the National Health Service and Community Care Act 1990 (Assessment of needs for community care services);

3.1.23 Functions under section 1 of the Carers (Recognition and Services) Act 1995 (Assessment of ability of carers to provide care);

3.1.24 Functions under the Community Care (Direct Payments) Act 1996 (Functions in connection with the making of payments to persons in respect of their securing the provision of community care services);

3.1.24 Functions under the Health and Social Care Act 2001 (Making of direct payments to person in respect of his securing provision of community care services or services to carers);

3.1.25 Functions under Part I of the Community Care (Delayed Discharges etc.) Act 2003;

3.1.26 Functions under section 39 of the Mental Capacity Act 2005 (Instructing independent mental capacity advocate before providing accommodation for person lacking capacity);

3.1.27 Functions under section 39A of the Mental Capacity Act 2005 (Instructing independent mental capacity advocate when giving an urgent authorisation, or making a request for a standard authorisation, under Schedule A1 to the Act);

3.1.28 Functions under section 39C of the Mental Capacity Act 2005 (Instructing independent mental capacity advocate when no representative for relevant person under Part 10 of Schedule A1 to the Act);

3.1.29 Functions under section 39D of the Mental Capacity Act 2005 (Instructing independent mental capacity advocate when representative for relevant person under Part 10 of Schedule A1 to the Act is not being paid);

3.1.30 Functions under section 49 of the Mental Capacity Act 2005 (Reports in proceedings);

3.1.31 Functions under Schedule A1 of the Mental Capacity Act 2005 (Any functions);

3.1.32 Functions under Part 1 of the Care Act 2014, except sections 14, 17, 69, 78, and regulations made under section 2(3) (see further at paragraphs 1.41 and 1.42 below) so far as that Part and regulations under it give functions to local authorities in England (General responsibilities in relation to care and support services; Assessing and meeting needs for care and support, and carers' needs; Direct payments, deferred payment agreements and loans; Continuity of care and ordinary residence; Safeguarding adults; Provider failure; Children in transition to adult care and support; Independent advocacy support; Recovery of Charges; Appeals against local authority decisions; Discharge of hospital patients; Registers; Delegation of functions);

3.1.33 Functions under section 14 of the Care Act 2014 (function of making a charge for meeting needs) and section 17 of the Care Act (function of carrying out a financial assessment in relation to the making of the charge) in respect of meeting needs for care and support under section 18 or 19 of the Care Act 2014;

3.1.34 Functions under regulations made under section 2(3) of the Care Act 2014 (function of making a charge for the provision, or arranging the provision, of services, facilities or resources or taking other steps under section 2(1) of the Care Act 2014).

3.1.35 The arrangements in place for determining the services for which a user may be charged and informing users about such charges in respect of meeting the needs for care and support under section 18 and 19 of the Care Act, and in respect of providing or arranging for the provision of services, facilities or resources or taking other steps under section 2(1) of the Care Act 2014 or making a charge, arrangement or taking of steps under regulations under section 2(3) of that Act are set out in the Council's Charging Policy for Homecare and other non residential social services.

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017

Subject: Manchester's Health and Social Care Locality Plan – the Local Care Organisation

Report of: Chief Executive

Summary

This report complements two reports elsewhere on this agenda on the Locality Plan and Manchester Health and Care Commissioning (the City's single commissioning function for health and social care). It updates the Executive on progress towards developing a Local Care Organisation (LCO) within the City. A report was considered by the Health and Wellbeing Board on 18th January 2017 on progress towards developing the LCO and proposals for the three CCGs and the Council to initiate a provider selection process. This report asks the Executive to approve proposals for the Council's role in that process.

A similar report is being submitted to the three CCG Boards.

Recommendations:

That the Executive:

1. Note the progress with regards to the commissioners' plans to procure and award a single contract for a new LCO to provide a substantial proportion of out of hospital care in the city.
2. Approve the membership and terms of reference of the Provider Selection Programme Board including appointment of the Deputy Leader of the Council, Councillor Sue Murphy and appropriate officers as set out in Appendix 1 of this report as Members of the Board.
3. Delegate decision making to launch the procurement to the Director of Public Health in consultation with the Deputy Leader of the Council, working alongside senior MCC colleagues and CCG representatives on the Provider Selection Programme Board,
4. Note that a further report will be submitted to the Executive once it is known whether there are one or more capable providers and before moving to the next stage of the process.

Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting the growth agenda with an integrated system which will make more efficient use of available resources and provide greater opportunities for local jobs and career progression.
A highly skilled city: world class and home grown talent sustaining the city's economic success	A single provider of Integrated health and social care will bring social value to local communities, connecting people to community assets, promoting independence and reducing worklessness.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote self care and involving local people in the design and delivery of new care models.
A liveable and low carbon city: a destination of choice to live, visit, work	Addressing the wider determinants of health will be a strong feature of all three pillars of the Locality Plan.
A connected city: world class infrastructure and connectivity to drive growth	N/A

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

This report should be read alongside the Locality Plan Report (Executive-8 February 2017) and Locality Plan – Financial Report – Closing the Funding Gap 2017/21 (Executive-11 January 2017).

Financial Consequences – Capital

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Background documents (available for public inspection):

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

GM Strategic Plan – Taking Charge of Our Health and Social Care

Manchester Locality Plan – A Healthier Manchester

Draft Prospectus: Manchester Local Care Organisation – April 2017-2027

1.0 Introduction

1.1. This report seeks support from the Executive for the next steps to procure a Local Care Organisation (LCO) for the City of Manchester. The LCO will hold a single contract for the majority of out of hospital care services provided within Manchester and will be the organisational arrangement by which the 'One Team' strategy is delivered.

1.2. The report outlines the key results of the recent engagement exercise undertaken on a draft 'LCO Prospectus'. The report also sets out the proposed means of identifying a single LCO contract holder and the regulatory context relating to that approach. The statutory responsibility to commission these services rests with the three Manchester CCGs and Manchester City Council (the commissioners).

2.0 Strategic Context

2.1 For a number of years the Health and Wellbeing Board has pursued a strategy of integrated out of hospital care as the means of achieving the dual challenge of improving population health and ensuring a financially sustainable system.

2.2 Evidence from new care models has demonstrated how proactive and coordinated care can improve health outcomes but also save money due to the decreased need for high cost acute and long term residential care packages.

2.3 This early learning, supported by increasingly robust national and international evidence led to the One Team commissioning strategy which created a service model which applied this learning to all out of hospital care.

2.4 This model integrated out of hospital care is one of the three pillars of the Manchester Locality Plan which when taken as a whole represents a fundamental transformation of the Manchester health and care system. Change at this scale cannot be implemented the pace required through informal alliances between organisations. Therefore, commissioners indicated their intent to let a single contract for Manchester's out of hospital care provision with a single contract holder, through publication of a draft Prospectus in November 2016.

2.5 The objective of these changes is for Manchester people to receive fully integrated packages of care bespoke to their particular needs and opportunities and their carers and families. The scale of the culture change involved requires staff to be brought together into single teams within a single organisation. Funding to enable double running of the existing services whilst the new service model is being established is being obtained from the Greater Manchester Transformation Fund. This will allow commissioners to be assured of the implementation of new care models and hold the contract holder to account for quality, outcomes and cost effectiveness.

2.6 The scope of the LCO, as set out in the draft Prospectus, is significant and is expected to include parts or the whole of the service areas in the following table. The scope and scale of the LCO will be phased over a number of years, including a mix of direct provision and subcontracting arrangements. The scale of the contract will depend on the more detailed scoping and phasing of these service areas but includes.

Adult social care	Primary Medical Care	Community healthcare services
Public health	Mental healthcare	Voluntary and community sector
Children's services	Defined hospital services	Nursing and residential & homecare

2.7 The commissioning of the LCO is a key part of the following strategies: 'Our Manchester', 'A Healthier Manchester' (Locality Plan) and the GM 'Taking Charge' strategy. The LCO will also facilitate Manchester's contribution to implementation of the GM Primary Care Strategy.

3.0 Local Care Organisation Prospectus

3.1 In order to select a suitable provider to form the LCO, commissioners will undertake a procurement process, which is fully described in section 4 below. The formal start of the provider selection process will commence with the issue of a Prior Information Notice (PIN) and Prospectus which describes the scope of commissioners' ambition in further detail.

3.2 The commissioners have consulted upon a draft Prospectus from 2nd November 2016 to 3rd January 2017. This was to ensure that design of the LCO meets the needs of Manchester's diverse population and also to build awareness of the emerging arrangements for out of hospital care to enable organisations to prepare for future changes. The prospectus will now be revised in the light of the feedback received.

3.3 This exercise generated over 400 comments from the City's diverse network of stakeholders, providers, academic institutions and voluntary, community and social enterprise organisations (VCSE). The feedback has been overwhelmingly constructive; endorsing the intent to pursue the creation of an LCO. Below is a sample of the key themes which have emerged and how they will be addressed.

Key Themes	How we will address them
The role of VCSE and Carers within the workforce	The revised Prospectus will set out an expectation for the LCO to have a workforce strategy which will recognise the contribution of Manchester's unpaid workforce and approximately 60,000 unpaid carers. The strategy will need to set out how they will work effectively with voluntary sector and carers as an integral part of the overall strategy.
Various VCSE organisations have asked for more detail	Consolidate the narrative around protected characteristics into a defined Equality and Diversity section

Key Themes	How we will address them
on how we will ensure that the LCO meets the needs of the people their organisations represent.	Specific metrics are addressed in the Outcomes and Performance Frameworks
Commissioning for Social Value	In accordance with the Public services (Social value) Act commissioners will consider the potential benefit to Manchester's communities as part of our provider selection and contract award process. Social value involves looking beyond the price of a contract for a particular service to consider what the collective benefit might be to the local community. For example, an organisation which provides services for people might recruit volunteers from those communities to run some of these services. The social value aspect would be in providing people with volunteering opportunities in an environment where they feel safe and supported, allowing them to develop skills, gain work experience, and feel socially included. This would be in addition to the organisation being able to provide its services to the community.
More focus on Children and Young People	Strengthen the narrative in the prospectus based on the Children and young people's plan. [1]
Community Assets / Our Manchester Approach	The selected provider will need to support community navigation by providing shared tools and systems that map the assets and resources available across the city.
	The selected provider will need to clearly demonstrate how they will work with people, places and communities to build capacity and connect people to assets that meet their needs.
	Some of the elements of asset-based approaches include: • The role of the statutory sector is to understand the whole system of health and social care, and to assess the overall impact of changes on that system, rather than focusing narrowly on public sector expenditure. Reductions in services are likely to transfer demand to other agencies, often to the VCSE sector. • There needs to be an investment approach to VCSE sector assets, how can they be nurtured and supported to be able to better support people with health and social care needs at a neighbourhood and city-wide level. This should include cultural and sport partners and recognise and address the disparity in some assets between neighbourhoods. • There needs to be an agreed model for how care staff and services work in a strengths-based approach both

[1] http://www.manchester.gov.uk/download/meetings/id/21546/7_children_and_young_people_s_plan

Key Themes	How we will address them
	with individuals and with communities of place and identity. There are many existing models that could be adopted. These form part of an overall system leadership that should not be left to providers alone to develop. • There needs to be a joint approach to co-design and mapping community assets and understanding and measuring their value. The core of working with local assets is citizen involvement.
Care Models / details about the delivery of specific services	The Prospectus initiates a process whereby providers will be given the opportunity to promote their models of innovation in their formal tender responses. Initial service scope will however be further refined for inclusion in the Prospectus.

3.4 Some questions sought detailed descriptions of the service model. It is important that this is undertaken collaboratively with the successful contract holder once identified. This will allow the opportunity to enrich the service design and complement commissioner experience with that of providers and others.

3.5 The draft Prospectus was designed to provide sufficient detail without prescription to enable this approach. Similarly, information regarding how the contract holder might undertake functions currently delivered by commissioning organisations should be agreed in dialogue between commissioners and the contract holder.

3.6 Following detailed analysis of the responses and the feedback from the external assurance process (see section five) the commissioners will publish a revised Prospectus online in the next month. This will be undertaken in line with OJEU guidance and regulations. Publishing the revised Prospectus will complement the publication of a ‘Prior Information Notice’ (see section four below).

4.0 Provider Selection Process

4.1 The approach to procurement has been developed jointly with the CCGs and has included the engagement of external procurement and legal advisors as well as drawing on the considerable financial, procurement and legal expertise of the Council. The approach has also considered the guidance and advice provided through a nationally facilitated ‘Intensive Support Forum’. Council officers have been fully involved in the key issues.

4.2 When awarding contracts, including the LCO, health commissioners must demonstrate consideration and achievement of the procurement objectives set out in the NHS (Procurement, Patient Choice and Competition) (No.2) Regulations 2013 (PPCCR) in determining how best to award contracts. The Public Contracts Regulations (2015) also apply to both the CCGs and City Council.

4.3 The next stage of the process is to determine whether there are one or more providers capable of providing the services as an integrated whole in the most efficient yet diligent manner.

4.4 A competitive process will only follow if there are proven to be more than one capable provider. If a single capable provider is proven, a detailed due diligence process will follow in line with the national assurance process (see section 5 below). The timeframe for concluding the selection process will therefore depend upon the quality of bidders' submissions and the extent to which providers qualify as 'capable'.

Legislative Framework

4.5 The NHS procurement regulations referred to in 4.2 above provides the overarching legal framework for the CCGs to comply with when commissioning healthcare services alongside the Public Contract Regulations 2015 (PCR 2015). A bespoke process is being designed, satisfying the requirements of these regulations, to provide confidence to the commissioners that the provider selected to deliver the LCO can meet the ambitious outcomes expected of the new system, including patient and clinical outcomes, financial sustainability and value for money.

4.6 Throughout the contract award process and in line with the commissioners' obligations under all relevant legislation, the commissioners will adhere to the principles of:

1. Proportionality
2. Transparency
3. Non-discrimination
4. Equal treatment

4.7 The CCGs must also be able to clearly demonstrate compliance with their obligations under the NHS (Procurement, Patient Choice and Competition) Regulations 2013. In summary, those obligations are:

1. To secure the needs of service users for this particular service area including relevant patient choice
2. To ensure that the service meets the national quality standards for the service
3. To ensure that ongoing quality improvement measures and processes are in place
4. To ensure that services are provided efficiently, representing overall value for money
5. To ensure that ongoing efficiency improvement measures and processes are in place
6. To support relevant whole systems integration and achievement of the Commissioners' strategic objectives

7. To consider the potential benefits of competition

4.8 The commissioners will advertise the opportunity via a ‘Prior Information Notice’ (as a call for competition) in the Official Journal of the European Union (OJEU) together with a contract notice in ‘Contracts Finder’ to understand the level of interest for the contract. A single contract holder is sought for the full scope of services. There will not be ‘lots’ from which potential providers can select in isolation. This does not mean providers cannot collaborate to respond. Potential providers can either submit bids as a single legal entity, or as a group of entities, acting as a consortium. Where a consortium bid is received, there must be a single lead provider that is capable of holding the single contract from commissioners.

4.9 The Prior Information Notice will quantify the strategic affordability threshold over the intended contract term, relevant to commissioners’ final agreement on ‘in scope’ services and associated financial sums (e.g. baseline, efficiency and reform priorities) to ensure services remain affordable within available resources.

4.10 A Qualification Questionnaire (QQ) will be published at the same time as the Prior Information Notice on ‘EU Supply’ (the online procurement portal) for interested providers to complete. The QQ will test the relevant capacity and capability of interested providers. Submission of a completed QQ will constitute a formal expression of interest in the opportunity.

4.11 If more than one capable provider ‘qualifies’ at the QQ stage, a fair competitive assessment process will follow, with each qualified provider invited to submit their proposal and engage in an assessment process, including dialogue, and subsequent due diligence processes, to provide greatest clarity and assurance to the commissioners.

4.12 As indicated at 4.4 above, if there is only a single capable provider, a detailed due diligence process will be undertaken to satisfy the commissioners that the contract is safe and appropriate to continue.

4.13 Prior to formally awarding a contract, the CCGs and the City Council must conclude satisfactorily the various ‘Checkpoint’ stages of an external assurance process (see section five) below.

5.0 External Assurance

5.1 The NHS Five Year Forward View, published in October 2014, set out an ambitious vision for transforming NHS services. Local health communities with local authorities having a greater leadership role are empowered to develop new care delivery options to better integrate primary and specialist care, physical and mental health services, and health and social care.

5.2 NHS England (NHSE) and NHS Improvement (NHSI) have jointly recognised that these new care models and the contractual arrangements through which they will be implemented may mean:

- the contract structure, form and content, the calculation of the financial value of the contract envelope, are novel;
- the organisational forms of the bidding organisations may be novel and complex, as providers form legal entities and arrangements that allow for greater collaboration between partners; and
- other incumbent NHS providers can be significantly affected by a single procurement for a new care model.

5.3 Further, the many recent reviews of the collapse of the Cambridgeshire and Peterborough CCG contract with Uniting Care Partnership Ltd (UCP) in December 2015, identified several key ‘lessons learned’ that regulatory and national bodies wish to incorporate into all future local planning arrangements to mitigate risk.

A new joint national assurance process, the ‘Integrated Support and Assurance Process’ (ISAP), has been developed by NHSE and NHSI in response. The commissioners’ procurement and contracting process will be assured through this process.

The national assurance process needs to be further developed fully to incorporate social care and local authority requirements. Senior officers at Manchester City Council are currently actively engaged with national colleagues to develop this process

5.4 Assurance will be led via the Greater Manchester Health and Social Care Partnership Management Team, on behalf of the Strategic Partnership Board, with extensive support and engagement from the national teams of NHSE and NHSI.

5.5 The draft ISAP includes four key stages, which in total could take up to six months to complete:

- **Early Engagement** – to establish that the ISAP should apply and gain an overview of commissioners’ plans.
- **Checkpoint 1** – to conclude prior to commencement of procurement.
- **Checkpoint 2** – to conclude prior to contract signature.
- **Checkpoint 3** – to conclude just prior to service go live.

5.6 Commissioners have completed a self-assessment across the ‘Key Lines of Enquiry’ relating to both the Early Engagement and Checkpoint 1 stages to inform local planning and to support readiness for assurance discussions. The Early Engagement meeting took place on 11 January 2017 and at this meeting it was confirmed that ISAP does apply.

5.7 There will be a series of further meetings to develop plans and prepare for the Checkpoint 1 meeting currently scheduled for late February 2017. However, the meeting will only take place when all of the necessary preparation work has been completed

6.0 Internal Assurance

6.1 Senior officers from the Council and lay members and senior executive officers from the CCG have been meeting as a Provider Selection Procurement Board, in order to agree the design of the provider selection process, as well as technical advice across procurement and legal matters. All partners continue to identify and manage potential conflicts of interest. The draft terms of reference are appended at Appendix 1.

6.2 Manchester City Council's representation on the Board will be strengthened by the addition of the Deputy Leader of the Council, to sit alongside lay members of the CCGs.

6.3 Programme capacity continues to be strengthened with nominated lead procurement and project officers in place to plan and coordinate the process across the City. The CCG Boards and the Council Executive retain overall responsibility for approving the decision to launch the formal selection process, in line with statutory responsibilities.

6.4 Recognising the strength of the multi-organisational approach to the Provider Selection Programme Board, and the breadth of seniority and technical skills represented, the Executive are requested to delegate decision making to launch the procurement to the Director of Public Health in consultation with the Deputy Leader of the Council, working alongside senior MCC colleagues CCG representatives on the Provider Selection Programme Board, subject to

- completion of all required procurement documentation;
- satisfactorily concluding 'Checkpoint 1' of the 'Integrated Support and Assessment Process'; and
- Receiving assurance that key risks are mitigated, as relevant to the stage of the procurement process.

The same request was considered and agreed at the meeting of the CCG Boards on 25 January 2017.

6.5 Management of clinical and financial risks remains critical, both to the success of the selection process and the future sustainability of the City's out of hospital integrated care services. Accordingly, the CCGs and City Council will ensure that the scope of services and transformation priorities within the LCO are delivered safely within available resources.

6.6 There are a number of VAT implications both for commissioners and potential providers which might have an implication upon affordability and financial risk, in respect of different potential organisational forms that could be chosen by the LCO. Specialist advice is being sought by both the City Council and CCGs to ensure this is understood and effectively managed.

6.7 The potential 'in scope' services were illustrated in the draft Prospectus, without associated financial values. Work is underway to finalise the definition of 'in scope' services and quantify the associated financial value over the proposed contract term, reflecting the - now concluded - 2017/18 financial planning round.

6.8 The commissioners' resource settlements are only formally notified to 2020/21. The PIN, once published, will include a strategic financial planning quantum to broadly value the full proposed contract term of circa 10 years. Accordingly, commissioners' will agree longer term planning assumptions to support an affordability assessment over this period, noting the inherent limitations thereupon.

7.0 Key risks

Risk	Mitigation
Commissioner commercial expertise, capability and skills	• Programme capacity and structure • External advice secured/sought in key technical areas • National contract awaited • Contract terms legally reviewed
Governance and oversight of internal boards and regulators	• Programme board - Lay members and Executive and Senior Officers • Technical advisors appointed • Ongoing engagement with GM H&SCPB and NHSE • Conflicts of interest management
Procurement complexities (10 year contract term)	• Scope to be agreed and financial modelling strategically valued – 'hard' and 'soft' financial modelling. • Legal and procurement advisors supporting QQ • Contract terms for pricing and variations to be agreed • Final national contract awaited
Financial assumptions and affordability of the new care model and proposed contract	• Locality wide financial planning • Transformation funding sought • External advice to support development of contract threshold and commercial pricing terms • Financial standing assessment via QQ • Efficiency requirements compared against benefits assessments • Data analysis • Planned due diligence (advisors to support)
Taxation risks to affordability of model	• Independent VAT advice sought by MCC and CCGs re organisational form risks
Failure to secure outcomes through the desired model	• Stakeholder engagement • Impact assessments • Strategic dialogue and phased mobilisation

Risk	Mitigation
	• Assurance requirements (internal and external) • Contingency planning

8.0 Timescales

8.1 The process described above is both detailed and complex. The Commissioners’ intention is to complete the selection process in a timely manner to enable the Provider Selection Programme Board, operating under delegated authority from the CCGs’ Boards and the City Council’s Executive, to initiate the formal process (PIN) by late February/March 2017.

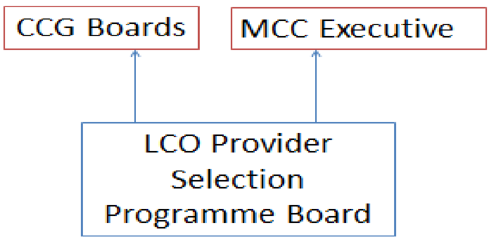
Appendix 1 – PSPB Terms of Reference

Manchester Local Care Organisation (LCO)
Provider Selection Programme Board
Terms of Reference

Overarching Role

- Oversee the delivery of the provider selection process for the LCO
- Ensure risks associated with the provider selection process are identified and monitor delivery of agreed mitigating actions
- Provide assurances that the programme is structured and capacity identified to robustly develop proposals for endorsement by the Provider Selection Programme Board
- Assure the CCG Boards and City Council Executive that procurement process is legally compliant, robust, transparent, free of conflicts of interests and delivers the required outcomes for the Manchester health and care commissioners

Governance arrangements



Reporting

The Provider Selection Programme Board will report to both the CCG Boards and the City Council Executive. Minutes of meetings will **not** necessarily be shared with the Boards to manage perceived or actual conflicts of interest, however, appropriate summaries and progress updates will be shared throughout the process.

Where key decisions are identified, papers and assurance documentation will be shared with Boards and the Executive, whilst managing conflicts of interest.

Responsibilities

1. The Provider Selection Programme Board will oversee and assure the procurement process to award a new out of hospital health and care services contract to a ‘Local Care Organisation’ (LCO) on behalf of the Manchester Health and Care Commissioners (including the Manchester CCGs and Manchester City Council (MCC).

2. The Provider Selection Programme Board will provide direct assurance to the CCGs’ Boards and MCC Executive, working where necessary with other

Committees in relation to key decisions, to demonstrate that robust provider selection processes are in place to effectively award a contract in line with all applicable relevant legislation and commissioners' requirements.

3. The Provider Selection Programme Board will lead and manage the provider selection process for the LCO and will make recommendations to the Manchester CCGs' Boards and MCC Executive regarding key decision points, including approval of identified preferred bidder and contract award.

4. The Provider Selection Programme Board will comprise authorised executive and nominated non-executive membership from the Manchester CCGs and MCC. The membership will also comprise technical support for legal services, finance, and procurement. The Provider Selection Programme Board will also have access to other key functional areas of advisory support, including but not limited to: Information Management and Technology, Workforce, Estates and Performance.

Membership

Role	**Representative**
Chair	Chris Jeffries, Lay Board member - South Manchester CCG
Deputy Chairs	Gabrielle Cox, Lay Board member - North Manchester CCG Grenville Page, Lay Board member - Central Manchester CCG
City Council Representative	Councillor Sue Murphy, Deputy Leader, MCC

The Chair shall have a named deputy as nominated by the Board members to act on their behalf in their absence.

Thematic Area	**Manchester City Council Selection Board Representative**	**CCG Representatives**
Senior Management Team	David Regan, Director of Public Health	Ian Williamson, Accountable Officer, Central Manchester CCG
Commissioning	Philip Thomas, Interim Head of Commissioning	Ed Dyson, Deputy Chief Officer – Central Manchester CCG
Quality and Safeguarding	David Regan, Director of Public Health	Craig Harris , Executive Nurse and Director of Commissioning – Manchester CCGs
Finance	Janice Gotts, Deputy City Treasurer	Joanne Newton, Chief Finance Officer – Manchester CCGs
Communications		Nick Gomm, Head of Corporate Services – Manchester CCGs
Procurement	Paul Murphy, Group Manager, Corporate Procurement	Alison Kerfoot, Director of Strategic Procurement & Commissioning Support - NHS Shared Business Services
Legal Services	Gareth James, Head of People, Place and	David Owens, Partner - Bevan Brittan (working on behalf of the

Thematic Area	Manchester City Council Selection Board Representative	CCG Representatives
	Regulation	CCGs)
Organisational Development, Human Resources / Workforce	Mark Grimley, Interim Strategic Director HR / OD	Sharmila Kar, Head of Organisational Development – Manchester CCGs
Programme Management	Joanne Downs, LCO Procurement Lead – Manchester CCGs Julie Bloor, LCO Programme Lead - Manchester CCGs	

Each Board member will provide the name of a deputy to attend meetings where necessary and additional members will be co-opted as required to develop particular areas of work.

Patient and Public Advisory Group Representatives:

Representative	CCG
Tom Harrington	North Manchester Patient and Public Advisory Group
Martin Rathfelder	Central Manchester Patient and Public Advisory Group
Jenny Ruff	South Manchester Patient and Public Advisory Group

Quoracy

Meetings will be quorate provided that the CCGs (in aggregate, not individually) and the City Council are represented by at least two members, in addition to the Lay Chair. Where necessary, the Chair will make decisions on quoracy for individual meetings depending on the items for discussion, members' availability and decisions required.

Meetings

Meetings will be minuted and papers will normally be circulated one week prior to the meeting. Meetings will be fortnightly although the frequency will be reviewed dependent on business to be considered. Additional meetings may be required and will be arranged as and when necessary.

Conflicts of Interest and Register of Interests

The Chair of the Board will ensure that all Provider Selection Programme Board members have signed the required procurement confidentiality forms and declared all conflicts of interest for inspection.

The first order of business at each meeting will be to have a Register of Interests declaration.

Additionally, in respect of the CCGs, the statutory guidance on management of conflicts of interest must be adhered to. In particular, the Chair of the Board will seek assurances that there are appropriate arrangements to:

- Maintain an appropriate ‘Register of Interests’ and a register of decisions;
- Publish or make arrangements for the public to access those registers;
- Require the prompt declaration of interests by the persons specified (members and employees) and ensure that these interests are entered into the relevant register;
- Manage actual conflicts and potential conflicts of interest (e.g. developing appropriate policies and procedures); and
- Have regard to guidance published by NHS England and NHS Improvement and other good practice guidance in relation to conflicts of interest.

Review Date: These Terms of Reference will be reviewed following conclusion of the merger of the CCGs and thereafter, every six months.

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny Committee – 20 February 2017

Subject: Growth and Neighbourhoods Budget and Business Plan: 2017/18 – 2019/20

Report of: Deputy Chief Executive (Growth and Neighbourhoods)

Purpose of the Report

This report provides a high level overview of the priorities to be delivered in Growth and Neighbourhoods throughout 2017-2020 alongside the Directorate's saving proposals. Delivery plans which set out the performance, financial, risk management and workforce monitoring framework were provided for scrutiny committees which took place in late January / early February.

The report sets the savings the directorate proposes to make in the context of its objectives. The delivery plans will provide a framework to be used throughout 2017-2020 to monitor performance towards objectives, workforce development, risk and financial outturn. Taken together, the five directorate reports and delivery plans will show how the directorates work together and with partners to progress towards the vision for Manchester set out in the Our Manchester Strategy.

The vision, objectives and key changes described in this report will be communicated to staff across the directorate to ensure that staff at all levels of the organisation understand how their role contributes towards the vision for the city.

Recommendation

The Executive is recommended to approve the final proposals in this report and that these are included in the budget to the Council.

Wards Affected: All

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Providing the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods
A highly skilled city: world class and home grown talent sustaining the city's economic success	Raising skill levels of Manchester residents and ensuring they are connected to education and employment opportunities across the City.
A progressive and equitable city: making a positive contribution by unlocking the potential of our	Creating places where residents actively demonstrate the principles of Our Manchester through participation and take responsibility for

communities	themselves and their community whilst encouraging others to do the same, supported by strong and active community groups.
A liveable and low carbon city: a destination of choice to live, visit, work	Creating places where people want to live with good quality housing of different tenures; clean, green, safe, healthy and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.
A connected city: world class infrastructure and connectivity to drive growth	Ensuring residents, neighbourhoods, businesses and goods connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the revenue budget for 2017/18 to 2019/20.

Contact Officers:

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Background documents (available for public inspection):

None

1.0 About the Growth and Neighbourhoods Directorate

1.1 Manchester is growing rapidly with a population which is increasingly more diverse, younger and working. Whilst the city and its residents have seen many changes for the better in recent years, Manchester is still facing some of the same challenges it was a decade ago not least the poor health of Mancunians. The Growth and Neighbourhoods Directorate has a pivotal role to play in securing the social, physical and economic future of the city. Residents told us last year that we need to get the basics right as well as aspiring for a city amongst the best in the world. Creating places where people want to live which are clean, safe and green, which are healthy and inclusive and have an excellent sporting, economic and cultural offer will be key to delivering the Our Manchester vision. Creating the right conditions for residents to participate and take responsibility for themselves and their community whilst encouraging others to do the same will be a central feature of the Directorate's work in this coming period working in partnership with key stakeholders both within the Council and beyond such as housing providers, the Police, voluntary and community sector organisations and health. This will involve building on the successes and strengths which already exist in communities and families.

1.2 Ensuring services are joined up in neighbourhoods is ever more critical as public sector resources are further diminished. Working collaboratively with partners to embed an integrated public service offer within neighbourhoods will be a core priority for the Directorate over the next three years to make best use of combined resources (for example through our public estate) to deliver the best possible outcomes which meet local needs. There are currently four early adopters of this work across the City – in Benchill, Harpurhey, the city centre and in student areas - which are testing the approach across a range of issues and demographics. This way of working is fully aligned to Our Manchester which puts people, rather than processes, at the centre of everything we do.

1.3 The City's economy continues to grow and develop and the Directorate has a vital role to play in ensuring that Manchester has a work and skills system which meets the growth needs of all businesses and enables residents from all backgrounds to obtain the skills and attributes that employers require. It is crucial that the system equips young people with the knowledge and skills to succeed at work; that residents who are not working are supported and sustained in the labour market; and that businesses have access to a highly skilled workforce capable of meeting the needs of the City's core and growth sectors. Ensuring employers are engaged in shaping and contributing to skills development of both their existing and future workforce and embedding work as an outcome across the City's reform programmes, in particular as they relate to health, will be priorities in the coming years.

1.4 The Directorate also provides vital support to Strategic Development in driving economic growth through the planning process. The response to stakeholders, essential in providing the platform for growth, has demonstrated a confidence in the market and enabled the delivery of transformational projects and major schemes. Manchester has an enviable reputation of steering complicated and controversial development schemes through complex regulatory processes which involve engagement with a wide range of stakeholders. There can be no doubt this has been one of the factors which has facilitated growth in the City and has distinguished Manchester from our competitors over the last decade and this is set to continue.

1.5 Population growth will particularly impact on cleanliness and waste management which is already a very significant proportion of the Directorate's entire net budget - around two thirds including the waste collection and street cleansing service alongside the waste disposal levy. This proportion is set to increase further due to the impact of both population growth and the forecast increases in the disposal levy over the next 5 years. Service changes involving new bins to incentivise waste minimisation and increased recycling and changing the behaviour of residents who do not recycle and continue to flytip through education and enforcement are key components of the waste and recycling strategy for Manchester. However, it is clear that there will also need to be a focus in the coming year on reviewing the existing waste disposal arrangements at GM level to facilitate more substantial reductions to the very significant Council resource spent on disposal.

1.6 In a climate of reduced resources and less staff, it is essential that in order to protect services, the directorate's commercial strategy is robust and has the ability to maximise the use of assets across the City for the benefit of neighbourhoods and to increase income to offset revenue savings. Attention will continue to be focussed on the generation of income from the current asset base ensuring that income opportunities continue to be maximised. This year, this work has led to a reduction in support required for Heaton Park and ambitious plans to further develop the Park with new and improved attractions through the reinvestment of some of the additional income generated. Work to broaden this across the wider Parks offer is now underway. Reviewing both contractual arrangements and management of contracts such as catering and for events is also underway to ensure best value for money is obtained. An annual review of fees and charges will be undertaken across all of The Neighbourhoods Service to ensure a consistent and holistic approach.

1.7 The movement of Business Units into the Neighbourhoods Service provides further opportunities to ensure that the use of assets across the City is maximised and that a cohesive and integrated approach is taken to the use of key spaces within the city for events and markets and full consideration is taken of the wider impact on Neighbourhoods. The integration of Business Units also require a review to be undertaken of the current delivery models to ensure that these provide the most efficient solution and can stand comparison to comparators in both the public and private sector. This will build on the work previously undertaken in Business Units.

1.8 The continuing impact of devolution across Greater Manchester will also play a key role in shaping the strategy of the Directorate in the future to ensure that the opportunities presented are maximised for the City and its residents.

Budget Consultation

1.9 Since the budget options were published in October, the Council has invited residents and stakeholders to tell us what they think about which options they think should be part of the final budget proposals.

1.10 The budget proposals contain a number of improvements and efficiencies which were supported by the majority of those who responded to the consultation. This includes the options for savings from more efficient use of energy in Leisure Centres, the way we commission leisure services and increasing income by investing in bereavement services. The city's new recycling strategy is working and residents have told us that they want to recycle even more. The proposals therefore include into efficiency savings from recycling but this will not impact on the new strategy which, with the support of all residents, will continue to increase recycling rates.

1.11 The option to review Wythenshawe Market will be taken forward so that this is no longer subsidised by the Council. There will also be a reduction in our grounds maintenance service. The majority of respondents agreed with these options.

1.12 The options to reduce events spending will not be part of the proposals and changes have been made to the savings option to reduce spending on festive lights and Santa.

1.13 People told us how much they value compliance and enforcement services and these options will not be taken forward, nor will options to reduce front line teams that look after the environment in neighbourhoods is also not part of the proposals.

2.0 Growth and Neighbourhoods - Vision

2.1 The new Manchester Strategy, Our Manchester, sets out a vision for 2025 of Manchester as a world class City which is:

- Thriving and Sustainable City– with great jobs and the businesses to create them
- Highly Skilled – full of talent both home grown and from around the world
- Progressive and equitable – a fair city where everyone has an equal chance to contribute and to benefit
- Liveable and low carbon – a great place to live with a good quality of life: a clean, green and safe city.
- Connected - both physically, with world class transport, and digitally, with brilliant broadband.

2.2 An overarching strategic objective is to ensure that the directorate's activity is aligned to the Our Manchester Strategy and that the Our Manchester approach is embedded throughout the directorate. The Our Manchester Strategy provides the overarching framework and priorities for action by the Council and partners from all sectors over the next 10 years. These priorities are known as the 64 'We Wills' and in order to be able to achieve these high-level goals there must be a radical change in the way that the council and other organisations across the city operate. This radical change is the Our Manchester approach.

2.3 The Our Manchester approach is a redefined role for the Council and public services as a whole. It puts people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries, and changing the way that the council works to reflect this. It is about listening, then learning, then responding. It is about creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. Finally it is about working together more, by building long term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.

2.4 The Growth and Neighbourhoods Directorate role in delivering this vision involves providing the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods. This means getting the basics right - working with partners and in neighbourhoods - so that the City is clean, safe and green, and communities take pride in and ownership of their area and lives. The directorate supports the economic growth priorities of the city by ensuring that residents who are not working and furthest away from the labour market are equipped with the right skills to be able to access jobs as well as having a more highly skilled workforce capable of meeting the needs of new and growing sectors. The directorate also plays a significant role in driving the delivery of the city's growth priorities through the planning process.

3.0 Growth and Neighbourhoods – Objectives

3.1 The objectives for the Growth and Neighbourhoods Directorate are rooted in the Our Manchester approach. By focusing on the key areas described below the Directorate will play a critical role in supporting the vision for the city for 2025.

A Thriving and Sustainable City– with great jobs and the businesses to create them

- Maintain and build confidence in Manchester's reputation as a destination City through the opportunities presented by its diverse cultural, sporting and leisure offer, together with its civic functions as a focus for residents and visitors and
- Ensure that business start-up and growth services deliver a quality offer for the City's businesses and facilitate more of the City's residents to start a business or pursue self-employment.

A Highly Skilled city– full of talent both home grown and from around the world

It is important that the City has a work and skills system, which meets the growth needs of all businesses and enables residents from all backgrounds to obtain the skills and attributes that employers require. To achieve this there is a need to:

- Ensure that employers at a citywide and neighbourhood level are engaged in shaping and contributing to skills development of both their existing and future workforce, including increasing the number of apprenticeship opportunities;
- Maximise employment opportunities for Manchester residents, leveraging, in particular, where the City Council has a strategic development, planning, procurement or commissioning role;
- Simplify the skills offer and pathways for residents from all backgrounds to lead to sustainable jobs and careers progression, working with Colleges and training providers to provide quality post-16 education and training with an accessible learning offer for all and clear routes to centres of excellence providing higher level and technical skills linked to the City's growth sectors and
- Improved careers advice based on real labour market information and continued work with schools and colleges to ensure that there are a range of positive pathways that provide young people with the skills and attributes needed to successfully compete in the labour market.

A Progressive and Equitable City– a fair city where everyone has an equal chance to contribute and to benefit

- Support businesses to grow and re-invest in Manchester as their City of choice through local recruitment and contributing to social and environmental outcomes;
- Create the right conditions for residents to actively demonstrate the principles of Our Manchester through participation and taking responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups;
- Embed work as an outcome across the City's reform programmes and continue to work with Working Well and the health system more broadly to support more people with underlying health conditions into sustainable and quality work;
- Encourage businesses to pay the Manchester Living Wage and provide good quality and healthy work and
- Refresh the City's approach to Family Poverty, using an intelligence led and "Our Manchester" approach to focus on families and neighbourhoods, most heavily impacted by ongoing welfare reform.

A Liveable and Low Carbon City – a great place to live with a good quality of life: a clean, green and safe city and
A Connected City- both physically, with world class transport, and digitally, with brilliant broadband.

- Create places where people want to live with good quality housing of different tenures; clean, green, safe, healthy and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure;

- Support local businesses and residents to maintain and develop thriving district centres with appropriate retail, amenities and public service offer;
- Contribute to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps retain economically active residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the public transport infrastructure;
- Increase recycling rates, reduce waste and reduce litter and fly-tipping through improved use of technology and enforcement alongside business and resident engagement and action;
- Reducing CO2 emissions through a combination of local action, including delivery of the Green and Blue Infrastructure Strategy, Parks Strategy and the Tree Action Plan, and influencing national policy on energy and transport and
- Work collaboratively with partners to embed an integrated public service offer to make best use of combined resources (e.g. through our public estate) to deliver the best possible outcomes which meet local needs. Build on existing good practice to ensure effective and easy transition pathways for users between universal and targeted services delivered in neighbourhoods in models such as early help hubs.

Enablers

In order to facilitate and support the delivery of these priorities for the City and its residents, the Directorates will also need to:-

- Enable the workforce to be more resilient, effective, creative, ambitious and innovative through embedding Our Manchester and developing a culture of trust, honesty and empowerment. Plan for the future workforce, review structures, roles and skills needed for the future organisation and embed the required career pathways and succession plans;
- Work with partners and other Council Directorates to make best use of the City's total collective public and community assets to support estates transformation and deliver modern efficient services;
- Prioritise and maximise opportunities to collaborate with partners across Greater Manchester to identify new ways of working to increase income generation, investment, develop new funding models and to optimise use of resources. Invest in 'skills for growth' and innovation to support the development of this work;
- Work collaboratively with our partners to embed an integrated public service offer which reduces demand on targeted services. Utilise the role of universal services in preventing residents from developing additional needs (such as reducing the risk of diabetes, heart attack or stroke through regular exercise) and also supporting those transitioning out of targeted support into mainstream activity, building independence and access to employment;
- Increase productivity amongst staff within the directorate through adopting leaner support systems and processes (ICT, HROD, Finance) which enable efficient working. Develop new skills and behaviours required to deliver quality services more efficiently;

- Continue to build relationships, using an Our Manchester approach, through communicating and engaging effectively with all staff, Elected Members and residents ensuring that they are aware of the vision for the City and their role in its successful delivery; and
- Be mindful of significant changes beyond the Directorate's control such as the referendum to leave the European Union and the impact this may have on partners and residents. Develop robust plans to mitigate the risk of economic uncertainty building on potential areas of growth through the devolution agreement.

4.0 Revenue Budget Strategy

4.1 For 2016/17 Growth and Neighbourhoods has net budget of £72.994m and gross budget of £135.687m with 1,373.5 FTEs as set out in the table below.

Growth and Neighbourhoods	**2016/17 Gross Budget**	**2016/17 Net Budget**	**2016/17 Budgeted Posts (FTE)**
	£,000	**£,000**	
NEIGHBOURHOODS SERVICE			
Commissioning & Delivery	69,895	55,837	236.50
Community Safety & Compliance	9,749	7,001	179.00
Libraries, Galleries & Culture	12,766	8,628	266.50
City Co Contribution	295	295	0.00
Core Cities	451	57	4.50
Community Association Fund	807	433	0.00
Area Teams	2,407	2,407	51.00
Business Units	23,227	(3,678)	474.60
Neighbourhoods Services Sub Total	**119,597**	**70,980**	**1,212.10**
Work & Skills	**2,002**	**1,689**	**22.00**
Planning, Building Control & Licensing	**6,391**	**(461)**	**124.40**
Directorate Support	**7,697**	**786**	**15.00**
Total	**135,687**	**72,994**	**1,373.50**

*As of December 2016. Reflects Funded Posts.

4.2 Included in the 2016/17 budget strategy, there were savings of £0.659m with a full year effect in 2017/18 and 2018/19. The table below shows how these savings were broken down.

Service Area	Amount of Saving Proposal			
	2017/18 £,000	2018/19 £,000	2019/20 £,000	Total £,000
Cultural Offer	100	30	0	130
New operating	157	0	0	157
Compliance and	11	0	0	11
Parks, Leisure and	50	0	0	50
Waste	11	0	0	11
Commercial	250	0	0	250
Mediation	50	0	0	50
Grand Total	629	30	0	659

4.3 The three year budget strategy for 2017/18 to 2019/20 supports the strategic objectives for Growth and Neighbourhoods with proposals for capital investment, revenue growth and savings requirements. Appendices 1 and 2 provide the proposed budget for 2017/18 to 2019/20. The Directorate has identified the following priorities which have provided the framework for developing the medium term financial strategy:

- Embed the principles of Our Manchester into the way services are delivered within neighbourhoods.
- Maximise the opportunities that Devolution provides for the City in terms of growth, skills and place.
- Work with partners (Greater Manchester Police, (GMP), Registered Providers (RPs) and Children & Families to develop future, more integrated models for delivery at a neighbourhood level which can deliver savings.
- Deliver improvements in waste, recycling and street cleansing through the effective delivery of the new waste and street cleansing contract.
- Continue to encourage behaviour change to increase recycling.
- Work with Greater Manchester Waste Disposal Authority (GMWDA) to determine a longer term strategy to reduce the impact of the Waste Levy.
- Provide a strong, evidenced and coherent strategy, policy and planning framework for the future of the city.
- For operational and non-operational services that are delivered directly, explore options to determine models of delivery that are cost effective whilst providing a good quality service.
- Maximise income opportunities, through realising the most from our assets as well as reviewing current fees and charges as well as opportunities for charging for other services.
- Ensure the right skills and capacity is maintained and developed to enable the City to deliver against its Growth, Place and Skills agenda.
- Explore appropriate opportunities for collaboration across GM, ensuring they continue to provide the right outcomes for the City.

New Savings Proposals 2017/20

4.4 New savings proposals totalling **£7.220m** have been identified. The schedule of savings proposals is provided in Appendix 3.

4.5 The savings are divided between efficiency savings of **£6.910m** and service reductions of **£310k**. In line with budget priorities set out above the Directorate has sought to maximise budget reduction proposals from efficiencies and service improvement, some of which need to be supported by capital and ICT investment. Whilst the service reduction savings run counter to the Directorate’s priorities, it is necessary to bring forward the service reductions proposals given the Council’s budget position. These proposals are described in more detail below for each service area of the Directorate.

4.6 The total is summarised in the table below and the proposals are set out in the following report and the accompanying savings schedule in Appendix 3.

Savings Proposals 2017-20	2017/18 £’000	2018/19 £’000	2019/20 £’000	Total £’000	FTE Impact
Improvement and efficiency	1,340	1,060	4,510	6,910	0
Service reductions	150	160	0	310	3.0
Total	**1,490**	**1,220**	**4,510**	**7,220**	**3.0**

Waste Disposal Levy

4.7 The 2016/17 budget for the Waste Disposal Levy is £32.495m. The budget provision within the cashlimit budget rises to £37.613m by 2019/20. From this figure the proposals set out below total £5.7m from savings over the next three years which would result in a budget of £31.913m by 2019/20.

4.8 The introduction part way through this year of new 140-litre household grey bins, replacing 240-litre black bins, to encourage increased recycling and reduce the amount of leftover waste which has to be taken away will deliver a saving of **£1.3m** in 2017/18 on top of savings already planned to be realised in 2016/17. A further **£900k** could be saved in 2019/20 if the level of waste going into the grey bins can be reduced and recycling levels increase in line with those of neighbouring authorities which have made similar bin changes.

4.9 Savings of **£250k** in 2018/19 and **£250k** in 2019/20 can be achieved from interventions in the apartment sector and savings from disposal and collection arrangements with other organisations. Overall costs of disposal will continue to increase due to factors within the PFI contract that are beyond the direct control of the Directorate. However, further initiatives around waste reduction have been put forward to mitigate these increases. The proposals will limit residual waste collections to apartment blocks so they are aligned with the service offered to other households within the City, saving a projected £500k. over two years.

4.10 The Greater Manchester Waste Disposal Authority is reviewing its arrangements for waste disposal to reflect the increasing trends around recycling along with driving through efficiencies in the PFI contract. The savings assume that changes can be implemented by the GMWDA by 2019/20 and will have a net **£3m** benefit for Manchester.

4.11 All members of the GMWDA have agreed a moratorium on future service changes that impact on the distribution of the levy until such time as the PFI agreement has been reviewed and the Inter Authority Agreement (which allocates the costs between authorities) has been revised. This means any changes beyond the introduction of smaller residual bins, such as the frequency of collections, cannot be considered at this time.

4.12 Savings of **£100k** will also be realised from efficiencies in other disposal and collection arrangements, where the Council currently has obligations, in conjunction with other organisations.

The Neighbourhoods Service

4.13 The Neighbourhoods Service incorporates a wide range of specific service functions, including:-

- Parks, Leisure and Events
- Libraries, Galleries and Culture
- Business Units including Bereavement Services, Fleet, Manchester Fayre, Markets, Pest Control
- Compliance and Community Safety
- Grounds Maintenance
- Waste, Recycling and Street Cleansing
- Neighbourhood Teams

4.14 Savings proposals have been put forward from these areas based on efficiencies that it is believed can be generated or from reductions in the level of service offered to residents and communities.

4.15 In 2016/17 the net budget for the service, excluding the Waste Levy, is £38.485m with 1,212.10 budgeted FTEs. Since 2010, neighbourhood-based teams have seen reductions of £28.6m and over 580 staff which has inevitably had a negative impact on the capacity to deliver services such as enforcement, parks, libraries, community safety, street cleansing and grounds maintenance within neighbourhoods. The integration of Neighbourhood delivery, Neighbourhood regeneration and community and cultural services enabled further efficiencies of £894k in 2015-17 as part of the design of the new Neighbourhoods Service which significantly reduced management costs and ward co-ordination activities. As part of the 2015-17 budget process, members recognised that in the previous budget rounds, service reductions had had a very significant and disproportionate impact on service delivery in some areas and they agreed to put additional resource of £1.690m into enforcement, parks, street cleansing and waste in order to tackle the issues which had emerged in neighbourhoods as a result.

4.16 The budget conversation demonstrated that a large majority of themes that matter most to residents are contained within the Neighbourhoods Service. However, the Neighbourhoods Service makes up a significant proportion of the budget for the directorate. Recognising the budget position, a series of proposals have been included for 2017-20 which include efficiency savings of **£1.110m** and further savings from services reductions of **£310k**. The approach has not been to take a blanket reduction across all areas, but instead to determine where savings can be made within each area.

Efficiencies

Parks, leisure and events

4.17 The budget conversation told us that this is an area that is most valued by residents. During the next budget period, a new longer term contract will be established for the management of the Council's Community Sport and Leisure facilities as part of a long term strategy for these assets. Given the growth projections made by the incumbent operator over the term of the existing contract, it is reasonable to assume that the contract fee and therefore the net cost of the service will reduce further. A conservative estimate is that the annual cost of the service beyond 2018 will be in line with projections for the final year of the current contract. This assumes that no closures or modifications are made to existing facilities. A saving of **£500k** in 2018/19 plus further saving of **£150k** in 2019/20 is now expected to be realised.

4.18 Through the review of services in considering the new contract, it has become apparent that there is also some duplication in the current arrangements for the community leisure contract in respect of the client functions which exist across the leisure portfolio between the Council and the Wythenshawe Forum Trust and the Eastland's Trust. There is an opportunity to review these functions to make efficiency savings of up to **£100k** over 2018/19 and 2019/20. This would be dependent on the cooperation of the Trusts as this option would ultimately result in the organisations working more closely and sharing resources for Audit, Finance, HR, Community Engagement and Marketing.

4.19 Within the Leisure Estate, work is currently underway to examine the potential for savings by installing a new Combined Heat and Power plant at the Manchester Aquatics Centre, Northcity and Wythenshawe Forum. This is being developed jointly with colleagues from Corporate Property and will form part of a wider piece of work to reduce the carbon impact of the Council's buildings. In addition, work is also underway to examine the savings potential from the installation of Photovoltaic Panels at key leisure sites. These are being developed on a spend to save basis with the savings being generated within the sport and leisure budget. It is expected that these energy efficiencies will realise **£50k** savings in 2018/19 and further **£50k** in 2019/20.

4.20 Greater Manchester Combined Authority (GMCA), the NHS in Greater Manchester (this includes the Greater Manchester Health and Social Care Partnership - the body overseeing devolution) and Sport England have recently signed a commitment to help people make sport and physical activity a part of daily life to help reduce stress, ill health, absenteeism and help prevent loneliness. This will present an opportunity for a more strategic conversation at a GM level about aligning resources and reducing inefficiency potentially through the co-commissioning of leisure services.

4.21 The context for this approach is that currently GM councils' Sport and Leisure service provision is administered by various operators. There are limited examples of resource pooling and there is a significant opportunity to make savings by encouraging them to work more collaboratively. Work is currently underway with Sport England to explore what opportunities there are for resource pooling and developing more efficient arrangements. This work will inform the Council's procurement approach for the community leisure contract for 2018. It is estimated this could realise savings of **£50k** in 2018/19 and further **£50k** in 2019/20.

4.22 Capital investment agreed for extensive refurbishment works at Moss Side Leisure Centre of £8m was estimated to deliver recurrent revenue savings of £200k which has not yet been reflected in the 2017-20 budget until timescales are fixed for realisation of these savings. Capital investment of £8m was also agreed for refurbishment at Abraham Moss Leisure Centre, expected to deliver £200k of revenue savings. However following feasibility work, due to the structure of the building, refurbishment works cannot go ahead and a further capital bid of £7.9m for a complete rebuild has been made as part of the 2017-2022 capital strategy.

Business Units

4.23 Business Units is comprised of a number of services, including bereavement services, school catering, fleet, pest control and markets. These services operate on a commercial basis, and the income exceeds the costs of the services to make a net contribution towards the overall Council costs. Opportunities for savings therefore lie in the ability to increase income.

4.24 It is proposed that Bereavement Services could increase income by £60k per annum over the three year period. This will be achieved by continuing to increase the numbers of burials and cremation that are undertaken. However, this is subject to a £20k investment in year 1 in order to implement practice recommended by the Institute of Cemetery and Crematoria. Growth in income of £60k in 2017/18, 2018/19 and 2019/20 is estimated a total net saving **£160k** over a three year period.

Service Reductions

Parks, leisure and events

4.25 The budget conversation told us that sport and leisure facilities are places that individuals and families in Manchester most visit and enjoy. As such, service reductions will be kept to a minimum in this service area. The primary proposal is the delivery of **£60k** of savings from a review of the Council's Christmas offer including the Festive Lights programme, Santa and Christmas Markets which will focus on the potential for generating more income and sponsorship.

Business Units

4.26 Markets – The Council currently provides a subsidy of c**£150k** to markets, the vast majority of which is subsidising Wythenshawe Market. The £150k is proposed as a saving for 2017/18. Work has begun to review the viability of the various elements that comprise Wythenshawe Market to determine the impact of removing Council subsidy including consideration being given to the benefits of capital investment to determine if this could improve viability and enable it to break even.

Grounds Maintenance

4.27 The Grounds Maintenance team currently maintain a wide range of parks and open spaces, which includes 23 bowling greens across the City. There are 962 members of the clubs which use the bowling greens. The number of members and use of the greens has seen a continued decline leading to significantly increased costs per user. However, the activity is also seen as a contributor to the public health agenda, promoting activity and social inclusion, particularly for older people. In addition, both green spaces and leisure facilities are cited in the results of the budget conversation as services that are most important to residents. The fact remains though there is a cost of £175k to maintain the greens which cannot be sustained into the future. In partnership with the current users of the service, it is proposed that a saving of **£100k** (circa 3 FTE) could be made from a consolidation of the number of greens alongside more cost effective arrangements for maintenance of those that remain.

Technological Support to Implement Changes

4.28 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from a Council and GM perspective. How the authority structures, governs and utilises data will be pivotal to the successful delivery of these agendas. Further investment will be required in how technology and the systems of the Council and partner organisations are utilised to deliver further savings and efficiencies. This will require a continuation of the ICT transformation journey.

4.29 ICT will work closely with the Directorate to identify ICT solutions that comply with the Information and ICT design principles and to develop robust business cases to support their development. The Capital Strategy sets out proposals for developing the next stage of investment in ICT.

4.30 Key priorities will include:

- Community Safety and Compliance – Stabilise the key application FLARE and then look to provide an improved mobile and reporting capability.
- Leisure, Events and Parks – investment to promote the service offer and customer experience including an integrated booking service.
- Galleries Transformation - The current ICT infrastructure requires modernisation in order to meet the requirements of a modern Gallery service.

- Grounds Maintenance – to act as an enabler to more efficient, effective and mobile ways of working.
- Integration of Reform - Work collaboratively with partners to embed an integrated public service offer (e.g. through joined up ICT applications). This work will be closely linked with the development of the Public Service Hubs and the one public estate.
- Working to rationalise the number of applications currently used by the Directorate

Investment Proposals, Budget Growth & Pressures

4.31 The budget position for the Directorate is relatively stable and savings for 2016/17 are on track for delivery. The city centre continues to play a significant role in the growth of the city. How it looks and feels has a direct impact on this continued success. There remain a number of challenges including the impact of unprecedented demand on public services due to increased levels of rough sleeping, anti-social behaviour and litter. A review of the current issues has been undertaken and has led to a number of recommendations and one-off resources have been set aside in reserve from non-recurrent business rates funding to support implementation.

4.32 Over the last few months, key stakeholders in the city including the Council have been exploring how an Our Manchester approach could be developed to enable delivery of the new 10-year Strategy for Manchester. A Delivery and Resourcing plan has now been developed which sets out our shared narrative and principles along with a set of actions to be implemented over the next 12 months. The new approach is likely to require some upfront investment to support the changes. This will be one-off and funded from reserves.

4.33 Financial risks for future years relate to waste collection and disposal due to the scale of the budget and reliance on the success of service change to deliver savings. The early indications are that the recycling rates are increasing but this positive impact will need to be kept under review to determine if savings are being delivered. There is corporate budget for waste disposal pressures of £0.9m and £200k to tackle fly tipping.

4.34 The budget proposals include growth for the Waste Levy of £5.118m over the three years based on the latest estimates provided by the Greater Manchester Waste Disposal Authority (GMWDA). The final charge will depend on Manchester's performance against its waste targets relative to other districts within the scheme. It should be noted that the GM Waste Levy arrangements are under review.

4.35 The budget for the Leisure Services has been adjusted for a reduction of £239k in 2017/18 to remove the additional budget provided in earlier years for the smoothing of upfront payments in the leisure contract for 2014/15 to 2017/18. There is corporate budget of £100k for any pressures resulting from revenue pressures within markets.

4.36 The existing capital programme to 2016/17 to 2019/20 includes approval for investment for Growth and Neighbourhoods services for waste, leisure and sports facilities, parks improvement and libraries and information services. The 2017-2022 five year capital strategy includes bids for further investment in Libraries and Information Services Programme, leisure and sports facilities and the Parks Improvement Programme. An assessment of strategic fit, including contribution to support priorities around growth, reform and place will undertaken before capital bids are submitted. All bids will be supported by a business case which determines quantitative economic, social and fiscal impact plus affordability, return on investment, risk and deliverability.

Impact on Residents Communities and Customers

4.37 Manchester has a diverse and rapidly changing population and it is important that the Council is able to manage its business priorities with due regard for the wide-ranging and complex priorities and needs of the City's residents. The business planning process helps the Council to consider and communicate how it will fulfil the requirements of the Public Sector Equality Duty in the development of its business priorities. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City.

4.38 The Council is proud of its accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorates' equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment.

Workforce Impact.

4.39 The current FTE number for the Directorate is 1,373.5. Current proposals, if taken forward, will result in a net workforce reduction of an estimated 3 FTE over the three year budget period.

4.40 There are some proposals that refer to the exploration and implementation of new delivery models where impacts on the workforce could be realised if the decision is made to transfer staff to another organisation.

4.41 The Directorate will continue to invest in skills around leadership of place and supporting growth (with a particular focus on technical and specialist skills), recognising that these skills will continue to be required to support the reform agenda.

Appendix 1: Proposed budget and full-time equivalent people for 2017/18 – 2019/20

Growth and Neighbourhoods	**2016/17**			**2017/ 18**			**2018/ 19**			**2019/ 20**		
	Gross Budget	**Net Budget**	**Budgeted Posts (FTE)**	**Gross Budget**	**Net Budget**	**Budgeted Posts (FTE)**	**Gross Budget**	**Net Budget**	**Budgeted Posts (FTE)**	**Gross Budget**	**Net Budget**	**Budgeted Posts (FTE)**
Service Area	**£,000**	**£,000**		**£,000**	**£,000**		**£,000**	**£,000**		**£,000**	**£,000**	
Neighbourhoods Service												
Commissioning & Delivery	69,895	55,837	236.50	97,025	71,968	236.50	79,227	56,798	233.50	75,667	53,238	233.5
Community Safety & Compliance	9,749	7,001	179.00	9,763	6,940	179.00	9,639	6,940	179.00	9,639	6,940	179.0
Libraries, Galleries & Culture	12,766	8,628	266.50	12,766	8,628	266.50	12,766	8,598	266.50	12,766	8,598	266.5
City Co Contribution	295	295	0.00	295	295	0.00	295	295	0.00	295	295	0.0
Core Cities	451	57	4.50	451	57	4.50	451	57	4.50	451	57	4.5
Community Association Fund	807	433	0.00	807	433	0.00	807	433	0.00	807	433	0.0
Area Teams	2,407	2,407	51.00	2,407	2,407	51.00	2,407	2,407	51.00	2,407	2,407	51.0
Business Units	23,227	(3,678)	474.60	23,192	(3,868)	474.60	23,122	(3,928)	474.60	23,122	(3,988)	474.6
Our Manchester	0	0	0.00	1,668	0	0.00	624	0	0.00	553	0	0.0
Neighbourhood Services Total	**119,597**	**70,980**	**1,212.10**	**148,374**	**86,860**	**1,212.10**	**129,338**	**71,600**	**1,209.10**	**125,707**	**67,980**	**1,209.1**
Work & Skills	2,002	1,689	22.00	2,002	1,689	22.00	2,002	1,689	22.00	2,002	1,689	22.0
Planning, Building Control & Licensing	6,391	(461)	124.40	6,437	(461)	124.40	6,391	(461)	124.40	6,391	(461)	124.4
Directorate Support	7,697	786	15.00	7,697	786	15.00	7,697	786	15.00	7,697	786	15.0
Total	**135,687**	**72,994**	**1,373.50**	**164,510**	**88,874**	**1,373.50**	**145,428**	**73,614**	**1,370.50**	**141,797**	**69,994**	**1,370.5**

Appendix 2: Proposed budget, savings, growth and other changes 2017/18 to 2019/20

Growth and Neighbourhoods	2016/17	2017/18			2018/19			2019/20		
	Net Budget 2016/17 £,000	Growth and other Budget Changes	Savings	Net Budget 2017/18	Growth and other Budget Changes	Savings	Net Budget 2018/19	Growth and other Budget Changes	Savings	Net Budget 2019/20
Service Area	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
Neighbourhoods Service										
Commissioning & Delivery	55,837	17,999	(1,868)	71,968	(14,010)	(1,160)	56,798	890	(4,450)	53,238
Community Safety & Compliance	7,001		(61)	6,940			6,940			6,940
Libraries, Galleries & Culture	8,628			8,628		(30)	8,598			8,598
City Co Contribution	295			295			295			295
Core Cities	57			57			57			57
Community Association Fund	433			433			433			433
Area Teams	2,407			2,407			2,407			2,407
Business Units	(3,678)		(190)	(3,868)		(60)	(3,928)		(60)	(3,988)
	70,980	**17,999**	**(2,119)**	**86,860**	**(14,010)**	**(1,250)**	**71,600**	**890**	**(4,510)**	**67,980**
Work & Skills	1,689			1,689			1,689			1,689
Other Neighbourhoods	0			0			0			0
Planning, Building Control & Licensing	(461)			(461)			(461)			(461)
Directorate Support	786			786			786			786
Total	**72,994**	**17,999**	**(2,119)**	**88,874**	**(14,010)**	**(1,250)**	**73,614**	**890**	**(4,510)**	**69,994**

Appendix 3: Savings Schedule

Growth and Neighbourhoods - 2017/18 - 2019/20 savings proposals								
Service Area	Description of Saving	RAG Deliverability	RAG Impact	Amount of Saving Proposal				FTE Impact (Indicative)
				2017/18	2018/19	2019/20	Total	
				£,000	£,000	£,000	£,000	
Improvement and Efficiency								
Parks, Leisure and Events	Further reduce costs of indoor leisure through re-commissioning of contracts.	Amber	Amber		500	150	**650**	
	Energy improvements on leisure buildings - any savings will accrue to the leisure contract	Green	Green		50	50	**100**	
	Wythenshawe Forum Trust - efficiencies from sharing back office functions	Green	Green		50	50	**100**	
	Co-commissioning leisure services across Greater Manchester. This includes looking at ways in which 12 leisure operators across GM can collaborate more effectively	Amber	Amber		50	50	**100**	
Business Units	Increase bereavement services offer - pricing competitively with increase of £60k per year and £20k invested in year 1 to implement practice recommended by Institute of Cemetry and Crematoria	Green	Green	40	60	60	**160**	
Waste	Planned Service change	Green	Green	1,300	-	900	**2,200**	
	Other service changes - apartment blocks	Amber	Amber		250	250	**500**	
	Efficiencies in other disposal and collection arrangements	Green	Amber		100		**100**	
	Reviewing waste disposal costs	Red	Red			3,000	**3,000**	
Total Improvement and Efficiency				**1,340**	**1,060**	**4,510**	**6,910**	-
Service Reductions								
Parks, Leisure and Events	Revise of Council's Christmas/Festive offer	Green	Amber		60		**60**	
Business Units	Review of viability for Wythenshawe indoor and outdoor markets to remove subsidy	Amber	Red	150			**150**	
Grounds Maintenance	Bowling greens - consolidation of greens and more cost effective arrangements for maintenance	Amber	Amber		100		**100**	3.0
Total Service Reductions				**150**	**160**	**-**	**310**	**3.0**
Total Growth and Neighbourhoods				**1,490**	**1,220**	**4,510**	**7,220**	**3.0**

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny Committee – 20 February 2017

Subject: Strategic Development Budget and Business Plan: 2017/18 – 2019/20

Report of: Strategic Director (Development)

Purpose of the Report

This report provides a high level overview of the priorities to be delivered in Strategic Development throughout 2017-2020 alongside the Directorate's saving proposals. Accompanying delivery plans which set out the performance, financial, risk management and workforce monitoring framework were provided for scrutiny committees which took place in late January / early February.

The report sets the savings the directorate proposes to make in the context of its objectives. The delivery plans will provide a framework to be used throughout 2017-2020 to monitor performance towards objectives, workforce development, risk and financial outturn. Taken together, the five directorate reports and delivery plans show how the directorates will work together and with partners to progress towards the vision for Manchester set out in the Our Manchester Strategy.

The vision, objectives and key changes described in this report will be communicated to staff across the Directorate to ensure that staff at all levels of the organisation understand how their role contributes towards the vision for the city.

Recommendations

The Executive is recommended to approve the final proposals in this report and that these are included in the budget to the Council.

Wards Affected: All

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Providing leadership to support, promote and drive the role and continuing growth of the city centre as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land.
A highly skilled city: world class and	Supporting the delivery of a Schools Capital

home grown talent sustaining the city's economic success	Programme which will provide new and expanded high quality primary and secondary school facilities for a growing population through the identification of suitable sites which can support our wider transformation proposals for neighbourhoods in the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Creating places where residents and partners actively demonstrate the principles of Our Manchester.
A liveable and low carbon city: a destination of choice to live, visit, work	Actively manage the impact of a growing population and economy to minimise the city's carbon emissions through planning and working with partners across the City to move towards becoming a zero carbon city by 2050.
A connected city: world class infrastructure and connectivity to drive growth	Contribution to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps retain economically active residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the revenue budget for 2017/18 to 2019/20.

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Background documents (available for public inspection):

None

1.0 About the Strategic Development Directorate

1.1 The Directorate has a pivotal role in securing new commercial development, attracting inward investment and securing employment growth, along with providing leadership to the Council's Housing function and delivering the City Council's Residential Growth Strategy which seeks to underpin the city's economic growth trajectory. The management of the City Council's land and property assets to promote growth is closely aligned with the management of the City Council's operational and investment estates.

1.2 Services within the Directorate make a significant contribution to the delivery of the Our Manchester Strategy in respect of a number of priority outcomes. The Strategy proposes to create a City:

- With a competitive, dynamic and sustainable economy;
- With distinctive strengths in science, advanced manufacturing, culture, creative and digital business, cultivating and encouraging new ideas;
- With highly skilled, enterprising and industrious people;
- That is connected, internationally and within the UK;
- That plays its full part in limiting the impacts of climate change;
- Where residents from all backgrounds feel safe, can aspire, succeed and live well; and
- That is clean, attractive, culturally rich, outward looking and welcoming.

1.3 The challenge for the future is to drive transformation of the city, to define Manchester as an attractive place to live and further improve the quality of life for all residents and increase their overall social and economic prospects, and enable them to participate fully in the life of the city. Within this context the Directorate will seek:

- to support, promote and drive the role and continuing growth of the city centre as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land;
- to support investment in transport infrastructure which will lay the foundations to capture new commercial and residential growth opportunities over the next ten to fifteen years;
- to provide an expanded, diverse, high quality housing offer that is attractive to and helps retain economically active residents in the city, ensuring that the growth is in sustainable locations supported by local services and the public transport infrastructure;
- To support the delivery of a Schools Capital Programme which will provide new and expanded high quality primary and secondary school facilities for a growing population through the identification of suitable sites which can support our wider transformation proposals for neighbourhoods in the city;
- to underpin the transformation of the city's district centres with appropriate retail, amenities and public service offer; and
- to promote investment to secure an internationally competitive cultural and

sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

1.4 Over the next three year's the following areas of activity will frame the Directorate's core priorities.

1.5 Delivering a wide range of complex commercial and residential led mixed use developments within the city centre which are currently being progressed, these include amongst others:

- St Johns with Allied London including "Factory";
- St Michaels with the Jacksons Row Development Partnership;
- First Street with ASK / Patrizia UK;
- NOMA with the Co-op/Hermes;
- Northern Quarter with Ician;
- Piccadilly Basin with Town Centre Securities;
- Manchester Central with ASK / Patrizia;
- Mayfield with U&I;
- Circle Square with Bruntwood;
- Oxford Road Station with Bruntwood; and
- Great Jackson Street with Renaker.

1.6 In addition to the above schemes there are new initiatives being shaped as part of planning for the city centre's future growth, these include the Piccadilly Station environs to accommodate High Speed 2 (HS2) and Northern Powerhouse Rail.

1.7 Extending eastwards and northwards out of the City Centre two major regeneration opportunities are now being progressed:

- The Eastern Gateway including: Ancoats; New Islington; Holt Town and the Lower Medlock Valley out to the Etihad Campus provides the city with the capacity to create a number of significant new residential led mixed use neighbourhoods. The Campus itself is a major commercial development opportunity which will help define and frame the nature of the development profile along the corridor between the Etihad Stadium, Holt Town and New Islington. Our Partnership with the Abu Dhabi United Group (ADUG) is central to driving these opportunities forward.

- The Northern Gateway stretching northwards from NOMA into the Irk Valley and from New Cross northwards to Collyhurst. Similar to the Eastern Gateway this area provides the city with the capacity to create a number of significant new residential led mixed use neighbourhoods. At present we are currently in the market to secure an investor partner who, like ADUG can play a central role in driving forward the transformation and growth of this part of the city.

1.8 Outside of the City Centre and the Northern and Eastern Gateways commercial led mixed use development opportunities will focus on a limited number of locations where we will have a direct land ownership interest: Central Park; the Airport City Enterprise Zone; Siemens; Wythenshawe Town Centre; and Harpurhey District Centre / Moston Lane. Growth and expansion of the three City Council owned digital assets (The Sharp Project, The Space Project and One Central Park) will continue to be supported. Residential led / mixed use development opportunities will focus on managing existing development agreements and partnerships such as the three Housing PFI schemes; the transformation of the West Gorton estate; and the transformation of the Ben Street area.

1.9 Other commercial and residential development opportunities will arise where we have no direct land interest – in these instances we will revert to enabling such opportunities where they support our city ambitions. In the short term this would include working with MMU and the Manchester College on the disposal of their surplus estate plus working with Greater Manchester Pension Fund on the development of key assets such as Chorlton District Centre.

1.10 In addition to supporting the commercial and residential growth activities set out above the Directorate also has responsibility for managing the City Council's Investment Estate. The Investment portfolio comprises around 4,300 separate interests. The majority of these are peppercorn and income producing ground lease interests but the Council also manages a number of commercial and retail premises and managed buildings. These assets play a key role in helping transform the city as a key driver of the growth and place making agenda whilst at the same time playing an important role in the generation of rental income and capital receipts. The most valuable asset in the Council's estate is Manchester Airport, where the Council has a 58% share of income from the T1 and T2 leases and 100% interest in a separate lease with the Manchester Airport Group. The investment estate generates budgeted net income of £14.457m per annum derived primarily from rents but also includes fees for the release of restrictive covenants and easements, licences for the short term use of land and property, and interest on investments.

1.11 The management of the City Council's Operational Estate and the delivery of FM services is now aligned with our workforce and IT strategies in order to ensure the efficient use of that asset base in a manner that underpins the delivery of our and other public services. The development of the five year Operational Estates Plan is key to this approach.

Budget Consultation

1.12 Since the budget options were published in October, the Council has invited residents and stakeholders to tell us what they think about which options they think should be part of the final budget. Of the budget options published by the Council in October, £0.4m were within Strategic Development. These have now been reduced to £0.35m.

1.13 94% of people who responded to the Strategic Development options told us that they supported changes to the way Council buildings are managed and this option forms part of our proposals – this was one of the most supported options in the consultation. The option to reduce staffing of this part of the Council has been scaled back. This is in line with what people told us – less than half of those who responded to this option supported it - because of the strategic priorities of investing in growth post Brexit, securing the development of key sites for economic development and ensuring that neighbourhoods have the right mix of housing to attract and retain people with the skills needed by business.

2.0 Strategic Development – Vision

2.1 The Strategic Development Directorate seeks to drive effective place making, creating the necessary conditions needed to promote strong growth in commercial, residential, retail and leisure related development in the city, stimulating new employment, new homes and broadening the City Council's tax base.

3.0 Strategic Development – Objectives

3.1 The new Manchester Strategy, Our Manchester, sets out a vision for 2025 of Manchester as a world class City which is:

- A Thriving and Sustainable City– with great jobs and the businesses to create them
- Highly Skilled – full of talent both home grown and from around the world
- Progressive and equitable – a fair city where everyone has an equal chance to contribute and to benefit
- Liveable and low carbon – a great place to live with a good quality of life: a clean, green and safe city
- Connected - both physically, with world class transport, and digitally, with brilliant broadband.

3.2 An overarching strategic objective is to ensure that the directorate's activity is aligned to the Our Manchester Strategy and that the Our Manchester approach is embedded throughout the directorate. The Our Manchester Strategy provides the overarching framework and priorities for action by the Council and partners from all sectors over the next 10 years. These priorities are known as the 64 'We Wills' and in order to be able to achieve these high-level goals there must be a radical change in the way that the council and other organisations across the city operate. This radical change is the Our Manchester approach.

3.3 The Our Manchester approach is a redefined role for the Council and public services as a whole. It puts people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries, and changing the way that the council works to reflect this. It is about listening, then learning, then responding. It is about creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. Finally it is about working together more, by building long term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.

3.4 The Strategic Development Directorate serves the entire population of Manchester: some 560,000 Mancunians, its 20,000 businesses, communities and 994,000 overseas visitors. We have a pivotal role in securing the social, physical and economic future of the City and responsibility for driving residential and economic growth. This includes the development of opportunities to raise skill levels and creation of employment opportunities; the delivery of residential, commercial and cultural development; as well as ensuring that the City is clean and green, well maintained and safe and that residents take pride in their surroundings. Cultural and sporting excellence is at the heart of the growth agenda and will continue to be a major regeneration catalyst, maintaining Manchester's international profile through examples such as Manchester International Festival and of course football, whilst at the same time bringing significant community benefits to our residents.

3.5 Resident and partner engagement and empowerment will underpin this work and will be a critical part of delivering the sustainable behavioural change Our Manchester requires to effectively support neighbourhoods and manage future services.

3.6 Together with the other Directorates of the Council, Strategic Development will deliver the shared vision and objectives set out in Our Manchester. The specific objectives for Strategic Development are:-

A Thriving and Sustainable City– with great jobs and the businesses to create them

- The continuing growth of the city centre as a major regional, national and international economic driver; ensuring growth through efficient use of land for development opportunities, such as: the Airport City Enterprise Zone; the Siemens Princess Road Campus; the Eastern Gateway and the Etihad Campus; St John's Quarter; and Mayfield;
- Uphold Manchester's attractiveness as an international investment opportunity to build on the Capital Strategy and innovative models of co-investment in the City's future;
- Maintain and build confidence in Manchester's reputation as a destination City through the growth and improvement of its retail provision, the opportunities presented by its diverse cultural, sporting and leisure offer, together with its civic functions as a focus for residents and visitors;
- Ensuring residents, neighbourhoods, businesses and goods connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure such as High Speed Rail (HS2 and HS3), bus de-regulation, and new walking and cycling infrastructure and
- Work with partners to actively manage the impact of a growing population and economy to minimise the city's carbon emissions through planning and working with partners across the City to move towards becoming a zero

carbon city by 2050. Adapt our service provision to mitigate the impact of the changing climate.

A Highly Skilled city– full of talent both home grown and from around the world

It is important that the City has a work and skills system, which meets the growth needs of all businesses and enables residents from all backgrounds to obtain the skills and attributes that employers require. Whilst Growth and Neighbourhoods will take the lead, Strategic Development will support this work and recognise that to achieve this there is a need to:

- Maximise employment opportunities for Manchester residents, leveraging, in particular, where the City Council has a strategic development, planning, procurement or commissioning role and
- Ensure that business start-up and growth services deliver a quality offer for the City's businesses and facilitate more of the City's residents to start a business or pursue self-employment.

A Progressive and Equitable City– a fair city where everyone has an equal chance to contribute and to benefit

- Utilise the city centre developments coupled with strengthening and diversifying the economic base to drive employment growth. Support businesses to grow and re-invest in Manchester as their City of choice through local recruitment and contributing to social and environmental outcomes.

A Liveable and Low Carbon City – a great place to live with a good quality of life: a clean, green and safe city and
A Connected City- both physically, with world class transport, and digitally, with brilliant broadband.

- Create places where people want to live with good quality housing of different tenures; inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure;
- Contribute to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps retain economically active residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the public transport infrastructure;
- Reducing CO2 emissions through a combination of local action and influencing national policy on energy and transport; this will include Our Capital Strategy and the development of new policy frameworks in areas such as Green and Blue Infrastructure, Residential Design and, at a Greater Manchester level, the GM Transport Strategy 2040, which will drive forward our local actions and
- Support local businesses and residents to maintain and develop thriving district centres with appropriate retail, amenities and public service offer.

Enablers

In order to facilitate and support the delivery of these priorities for the City and its residents, the Directorates will also need to:-

- Work with partners and other Council Directorates to make best use of the City's total collective public and community assets to support estates transformation and deliver modern efficient services.
- Prioritise and maximise opportunities to collaborate with partners across Greater Manchester to identify new ways of working to increase income generation, investment, develop new funding models and to optimise use of resources. Invest in 'skills for growth' and innovation to support the development of this work.
- Enable the workforce to be more resilient, effective, creative, ambitious and innovative through embedding Our Manchester and developing a culture of trust, honesty and empowerment. Plan for the future workforce, review structures, roles and skills needed for the future organisation and embed the required career pathways and succession plans.
- Increase productivity amongst staff within the directorate through adopting leaner support systems and processes (ICT, HROD, Finance) which enable efficient working. Develop new skills and behaviours required to deliver quality services more efficiently.
- Continue to build relationships, using an Our Manchester approach, through communicating and engaging effectively with all staff, Elected Members and residents ensuring that they are aware of the vision for the City and their role in its successful delivery.
- Be mindful of significant changes beyond our control such as the referendum to leave the European Union and the impact this may have on our partners and residents. Develop robust plans to mitigate the risk of economic uncertainty building on potential areas of growth through the devolution agreement.

4 Revenue Budget Strategy

4.1 The Strategic Development Directorate for 2016/17 has a gross budget of £30.324m, net budget of £6.120m and 304 FTEs. The current breakdown of the budget and workforce for the Directorate is as follows:-

Service Area	2016/17 Gross Budget	2016/17 Net Budget	2016/17 Budgeted Posts (FTE)
	£,000	£,000	
Operational Property	21,733	18,068	224
Investment Estate	4,271	(14,457)	26
Sharp, Space & OCP	919	4	3
Strategic Development	2,219	1,624	30
Strategic Housing	1,182	881	21
Total	30,324	6,120	304

*As of December 2016. Reflects Funded Posts.

4.2 As part of the 2016/17 budget strategy, there were savings of £433k agreed. These had a full year effect in 2017/18 and further detail is shown in the table below.

Service Area	Amount of Saving Proposal			
	2017/18	2018/19	2019/20	Total
	£,000	£,000	£,000	£,000
Strategic Housing	23	0	0	23
Property	410	0	0	410
Total	**433**	**0**	**0**	**433**

4.3 The three year budget strategy for 2017/18 to 2019/20 supports the strategic objectives for Strategic Development with proposals for capital investment, revenue growth and savings requirements. Appendices 1 and 2 provide the proposed budget for 2017/18 to 2019/20. The Directorate has identified the following priorities which have provided the framework for developing the savings proposals:

- To embed the principles of Our Manchester into the way services are delivered within our neighbourhoods;
- To secure the delivery of the Planning Frameworks which have been developed across the city centre and in a limited number of areas outside of the city centre that capture very significant commercial and residential growth outcomes;
- To deliver the City Council's Residential Growth Strategy;
- To support work with partners to develop more integrated models for service delivery which can deliver savings through the provision of an integrated estate opportunities;
- To provide a strong, evidenced and coherent strategy, policy and planning framework for the future development and growth of the city;
- For operational and non-operational services that are delivered directly, explore options to determine models of delivery that are cost effective whilst providing a good quality service;
- Maximise income opportunities, through realising the most from our assets as well as reviewing opportunities for charging for services;
- Ensure the right skills and capacity is maintained and developed to enable the City to deliver against its Growth, Place and Skills agenda;
- Explore appropriate opportunities for collaboration across GM, ensuring they continue to provide the right outcomes for the City;
- Maximise the opportunities that Devolution provides for the City in terms of growth, skills and place; and
- Review our internal processes to improve productivity and capacity.

4.4 A report to Personnel Committee on 11th January 2017 brought forward proposals for a revised set of senior management arrangements within the Strategic Development Directorate. The estimated additional cost of the structure taking into account the impact of the review of senior officers' pay is up to £350k per annum to be met from the Housing Regeneration Reserve over the next five years.

4.5 The Strategic Development function has a net budget of £1.624m and 30 FTEs that lead the commercial, cultural and residential growth activities and has responsibility for managing the whole of the Council's investment estate. It is proposed realise financial savings of **£100k** from staffing budgets from the Strategic Development function.

4.6 The Strategic Housing 2016/17 net budget is £881k which directly funds 21 FTEs with a further 26.4 FTEs funded from the Housing Revenue Account. The Housing Revenue Account budget in 2016/17 is £96m funded from rents (£62m), private finance initiative funding (£24m), reserves (£8m) and other income (£2m). Following the Government's budget announcement in the summer of 2015, the 2017/18 rental income is reduced by 1%. This is the second year of a recurring reduction and will be subject to further 1% reductions in the following two years (2018/19 – 2019/20). Properties managed as part of a PFI management contract have been exempted from the requirement to reduce rents for the four year period. In order to maintain the HRA overall position in the short term, savings have been identified to mitigate the reduced rental income, a further review will conclude by summer 2017 to determine savings proposals for 2018/19 onwards. The savings for 2017/18 will include:

- A reduction to the Northwards management fee
- Re-procurement of repairs and maintenance contract saving
- A reduction in Council's charge for HRA services
- Bad debt provision reduced over the life of the business plan

New Savings Proposals 2017-20

4.7 Savings of £350k proposed from service improvements and efficiencies and service reductions. The table below summarises the savings and schedule at Appendix 3 provides further details on each of the savings options.

Strategic Development	**Amount of Saving Options**			
	2017/18	**2018/19**	**2019/20 +**	**Total**
	£,000	**£,000**	**£,000**	**£,000**
Improvement and efficiency	250	0	0	250
Service Reductions	100	0	0	100
Total Strategic Development	**350**	**0**	**0**	**350**

Improvement and efficiency

4.8 The Operational Estate and Facilities Management 2016/17 net budget is £18.068m with 224 FTEs. The approach to the effective management of the operational estate is to provide a cohesive programme of work to ensure it is fit for purpose, well maintained and provides optimum utilisation for both the Council and partner organisations. This will be achieved through:

- The development and adoption of a five year Estates Strategy

- A five year Carbon Reduction Plan as an integral component of the Estates Strategy.
- An annual estates Asset Management Programme (AMP) which will be defined by stock condition data

4.9 The five year Estates Strategy will seek to rationalise those operational property assets that no longer support community or service delivery and to transform those assets that can better support service delivery by ensuring they can be utilised to capacity and provide the necessary facilities for service delivery teams and our partners. The rationalisation and transformation programme as well as the future estates AMP will be informed by stock condition data in order to ensure that the Council effectively prioritises its resources and spend where there is the greatest need in respect of the operational estate. This will require a full appraisal aligned to the Council's future accommodation needs, workforce and ICT strategies and the emerging collaboration and integration opportunities with partners, particularly the integration of health and social care and the development of integrated neighbourhood teams. The outcome of this will enable further savings to be secured from the operational estate and they will be set out within the forthcoming operational estate plan.

4.10 The programme of activity will support the efficient delivery of facilities management (FM) through the standardisation of plant and equipment and the provision of a well maintained estate; eventually reducing the demand for reactive repairs and maintenance. The future of FM delivery model requirements will be reviewed with a range of options considered to determine the most appropriate FM service for the Council. The Carbon Reduction Plan will focus on a programme of sustainable technologies to reduce carbon emissions and secure revenue savings where possible and seek to install technologies that will generate electricity and reduce our dependency on the grid as well as securing carbon savings.

4.11 At this stage it is proposed that savings of **£250k** in 2017/18 can be realised from the refurbishment of the former Hulme Library and the disposal of the Claremont Resource Centre. It is envisaged that further rationalisation opportunities will be identified once the stock condition survey has been completed and analysed and the operational estate plan finalised.

Technological Support to Implement Changes

4.12 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from a Council and GM perspective. How the authority structures, governs and utilises data will be pivotal to the successful delivery of these agendas. Further investment will be required in how technology and the systems of the Council and partner organisations are utilised to deliver further savings and efficiencies. This will require a continuation of the ICT transformation journey.

4.13 ICT will work closely with the Directorate to identify ICT solutions that comply with the Information and ICT design principles and to develop robust business cases to support their development. The Capital Strategy sets out proposals for developing the next stage of investment in ICT.

4.14 Key priorities will include:

- Introducing new technology to support the estates rationalisation and transformation program. This will include working with the Corporate Core to better utilise technology to streamline business processes and improve the experience of people interacting with and working within the Council.
- Providing a new online application to support selective licensing
- Working with the Strategic Housing service to promote digital channel shift and automisation of back office processes

Investment Proposals, Budget Growth & Pressures

4.15 The Council continually considers ways to effectively manage the estate through regular reviews of rents, leases, service charges etc and minimising the incidence of vacant properties, to maximise income and capital receipts in the context of the city's priorities. However the Strategic Development budget is projected to overspend in 2016/17 as a result of a reduction in income from the investment estate and spending pressures within the operational estate. The pressures on the operational estate will be managed as part of the five year operational estates strategy described above. The income from the investment estate will remain volatile over the 2017-20 budget period. To manage the financial risk there will be a need to consider the opportunity for use of reserves to smooth the impact between financial years. Corporate budget of £190k has been included for pressures resulting from impact of business rates revalutions on the investment and operational estate.

4.16 The existing capital programme to 2016/17 to 2019/20 includes approval for investment to support priorities in Corporate property, Private Sector Housing Programme, Public Sector Housing Programme through the HRA and Development programmes

4.17 The 2017-2022 five year capital strategy includes proposals for further investment to support the strategic objectives and priorities for the Directorate. An assessment of strategic fit, including contribution to support priorities around growth, reform and place will be undertaken before capital bids are submitted. All bids will be supported by a business case which determines quantitative economic, social and fiscal impact plus affordability, return on investment, risk and deliverability.

Impact on Residents Communities and Customers

4.18 Manchester has a diverse and rapidly changing population and it is important that the Council is able to manage its business priorities with due regard for the wide-ranging and complex priorities and needs of the City's residents. The business planning process helps the Council to consider and communicate how it will fulfil the requirements of the Public Sector Equality Duty in the development of its business priorities. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City.

4.19 The Council is proud of its accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorates' equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment.

Workforce Impact.

4.20 The current FTE number for the Directorate is 304. Current proposals will result in a net workforce reduction of 1 FTE over the three year budget period.

4.21 The future of FM delivery model requirements will be reviewed. Depending on the option that is chosen, further impacts on the workforce could be realised if the decision is made to transfer staff to another delivery organisation.

4.23 The Directorate will continue to invest in skills around leadership of place and supporting growth (with a particular focus on technical and specialist skills), recognising that these skills will continue to be required to support the reform agenda.

Appendix 1: Proposed budget and full-time equivalent people for 2017/18 – 2019/20

Service Area	2016/17			2017/ 18			2018/ 19			2019/ 20		
	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)
	£,000	£,000		£,000	£,000		£,000	£,000		£,000	£,000	
Operational Property	21,733	18,068	224	25,945	17,408	224	23,906	17,408	224	23,633	17,408	224
Investment Estate	4,271	(14,457)	26	4,321	(14,457)	26	4,321	(14,457)	26	4,321	(14,457)	26
Sharp, Space & OCP	919	4	3	919	4	3	919	4	3	919	4	3
Strategic Development	2,219	1,624	30	7,965	1,524	29	5,562	1,524	29	5,562	1,524	29
Strategic Housing	1,182	881	21	2,282	858	21	2,282	858	21	1,532	858	21
Total	**30,324**	**6,120**	**304**	**41,432**	**5,337**	**303**	**36,990**	**5,337**	**303**	**35,967**	**5,337**	**303**

Appendix 2: Proposed budget, savings, growth and other changes 2017/18 to 2019/20

	2016 / 17	2017 / 18			2018 / 19			2019 / 20		
Service Area	Net Budget 2016/17 £,000	Growth and other Budget Changes	Savings	Net Budget 2017/18	Growth and other Budget Changes	Savings	Net Budget 2018/19	Growth and other Budget Changes	Savings	Net Budget 2019/20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Operational Property	18,068		(660)	17,408			17,408			17,408
Investment Estate	(14,457)			(14,457)			(14,457)			(14,457)
Sharp, Space & OCP	4			4			4			4
Strategic Development	1,624		(100)	1,524			1,524			1,524
Strategic Housing	881		(23)	858			858			858
Total	**6,120**	**0**	**(783)**	**5,337**	**0**	**0**	**5,337**	**0**	**0**	**5,337**

Appendix 3: Summary Budget Position and Savings Schedule

Service Area	Description of Saving	RAG Deliverability	RAG Impact	Amount of Saving Proposals				FTE Impact (Indicative)
				2017/18	2018/19	2019/20	Total	
				£,000	£,000	£,000	£,000	
Efficiencies and Improvements								
Operational Estate and Facilities Management	Refurbishment of old Hulme Library and the disposal of Westwood St and Claremont Resource Centre. DWP would take out a lease for the whole of the ground floor plus service change. Repairs and Maintenance contract re-tenders	Amber	Green	250			250	-
Total Improvement and Efficiency				250	0	0	250	0.0
Service Reductions								
Strategic Development	Staffing reductions	Green	Green	100			100	1.0
Total Service Reductions				100	0	0	100	1.0
Total Strategic Development				350	-	-	350	1.0

Manchester City Council
Report for Resolution

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny Committee – 20th February 2017

Subject: Corporate Core Budget and Business Plan: 2017/18 – 2019/20

Report of: Deputy Chief Executive (People, Policy, Reform), the City Treasurer, the City Solicitor and the Chief Information Officer

Purpose of the Report

This report provides a high level overview of the priorities to be delivered in Corporate Core throughout 2017-2020 alongside the Directorate's saving proposals. Plans which set out the performance, financial, risk management and workforce monitoring framework were provided for scrutiny committees which took place in late January / early February.

The report sets the savings the directorate proposes to make in the context of its objectives. The delivery plans will provide a framework to be used throughout 2017-2020 to monitor performance towards objectives, workforce development, risk and financial outturn. Taken together, the five directorate reports and delivery plans show how the directorates will work together and with partners to progress towards the vision for Manchester set out in the Our Manchester Strategy.

The vision, objectives and key changes described in this report will be communicated to staff across the directorate to ensure that staff at all levels of the organisation understand how their role contributes towards the vision for the city.

Recommendation

The Executive is recommended to approve the final proposals in this report and that these are included in the budget to the Council.

Wards Affected: All

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Maintaining growth in order to continue developing the City's trading relationships, making the case for investment in infrastructure and housing growth and the Northern Powerhouse, leading devolution negotiations and local government finance localisation opportunities and the Council's response to EU exit process with government.
A highly skilled city: world class and home grown talent sustaining the	Lead on key programmes of reform such as work and health, providing support and

city's economic success	responding to the continuing changes to the welfare reform agenda.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Drive leadership for reform, health integration and support for the delivery of all Council strategic priorities. Lead changes to the organisation to deliver Our Manchester through improved and more consistent management, engagement of staff and lean fit for purpose systems supported through ICT investment.
A liveable and low carbon city: a destination of choice to live, visit, work	Effective utilisation of the highways network and prioritisation of investment in low carbon initiatives
A connected city: world class infrastructure and connectivity to drive growth	Focus on the ICT infrastructure and resilience to deliver future efficiencies, enable improved ways of working and support devolution, health and social care integration and the changing shape of back office support for Manchester and other GM authorities.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the revenue budget for 2017/18 to 2019/20.

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Background documents (available for public inspection):

None

1.0 About the Corporate Core Directorate

1.1 The role of the Core is to provide strategic leadership to drive delivery of the Our Manchester Strategy ambitions, sustain growth across the city, better connect residents to that growth, create attractive places to live work and visit, and reduce the costly demands placed on public services. The Core needs to change the way the Council works, to create new ideas and new relationships, change our leadership and our behaviours, our processes and systems.

1.2 As well as driving change, the Core supports the rest of the organisation through Human Resources and Organisational Development (HR & OD), ICT, Finance, Legal, Communications and other services. The Core also delivers a range of services directly to residents including revenues and benefits, customer services and registrars.

People, Policy and Reform

1.3 Human Resources and Organisational Development (HR & OD), Reform and Innovation and Policy, Partnerships and Research have been brought together under the leadership of the Deputy Chief Executive (People, Policy and Reform). This enables a stronger connection between economic and social policy underpinned by a first class HR/OD set of functions. Through drawing these service areas together and developing a set of shared priorities, the Council will be able to drive growth and reform in the City and across Greater Manchester (GM) at greater pace and scale.

1.4 Reform and Innovation (R&I) is driving a challenging agenda including support for the Our Manchester way of working, Children's improvement, Health and Social Care integration, the integration of reform programmes, and elements of devolution to GM – increasingly moving into implementation of reform.

1.5 Policy, Partnerships and Research (PPR) is supporting the implementation of the Our Manchester Strategy. They are driving the development of the next GM Strategy, including the Spatial Framework, the Transport Strategy, the Northern Powerhouse and the Core Cities agenda. They are working with R&I on the implications of Brexit and on Family Poverty. PPR lead on planning, transport, cultural and environmental policy. The Council's Resources and Programmes function is based within this service. The team manages external funding programmes including European Regional Development Fund and European Social Fund on behalf of both the council and the Combined Authority. The team also manages the Clean City programme, the AGMA section 48 grants programme and the ERF fund. The team coordinates the Council's input to the Triangulum and City Verve projects. PPR also coordinates the city's international relationships including those with the Eurocities Network and Manchester's partner cities.

1.6 HR & OD will be critical to the delivery of Our Manchester, and providing the framework and tools to enable our leaders and managers to be consistently good. Through this work the Council will collectively change the ways of working to deliver improved outcomes and benefits for our workforce and the people of Manchester. Following an independent review of strategic and transactional HR & OD activity there is an emerging HR & OD Improvement Programme that cuts across both HR and the Shared Service Centre which is expected to deliver significant benefits.

ICT

1.7 Led by the Chief Information Officer, ICT manages the network, computers and systems that support Council services and directs technology development and ICT project management. The team work alongside the rest of the Council to determine the strategic priorities and associated dependencies on ICT. As the Council changes in line with Our Manchester principles and transforms to deliver streamline and simple process and systems the scale of investment in ICT perspective will inevitably increase.

City Solicitor's

1.8 The City Solicitor's division hosts Legal Services which ensures that the Council operates within the law and provides a legal service to all Council departments, Salford City Council and the Greater Manchester Combined Authority (GMCA). The legal framework in which the Council operates has become increasing complex over the last five years as a result of changes in legislation, public service reform and the devolution of powers. The scale and complexity of legal work will increase as more powers are devolved to local government, the scale and pace of Health and Social Care integration increases and the GMCA transitions into new arrangements from April 2017.

1.9 In addition to providing a legal service to both Manchester and Salford City Council the City Solicitor is the Monitoring Officer for the Council and GMCA and the Deputy City Solicitor supports the Monitoring Officer for the Police and Crime Commissioner. Over the last few years the scale of collaboration and partnership working across legal services has grown significantly which has enabled a significant amount of legal work to be undertaken 'in house' at a lower cost and increased quality, as well as providing both value for money and improved outcomes.

1.10 The Division also includes Democratic and Statutory Services, which runs elections and supports decision-making and scrutiny within the Council, as well as the Executive Office which provides professional support to elected members in their roles as decision makers and local representatives and support for the Lord Mayor with civic leadership functions. It also includes the Registrars and Coroners Services.

1.11 Communications also sits within City Solicitors; the team develop effective communication strategies and campaigns to lead, influence and drive the required behaviours and values for key Council objectives, both public facing and with our employees, whilst safeguarding the Council's reputation in both the online and traditional media.

Corporate Services

1.12 Corporate services includes Financial Management, Performance, Research and Intelligence (PRI), Revenues and Benefits, Customer Contact Service and Shared Service Centre, Capital Programme Delivery, Procurement and Strategic Commissioning and Internal Audit, Risk and Resilience and Health and Safety. Financial Management interprets government financial requirements and models impact; acts as a critical friend in supporting change and reform, and ensures strategies and processes focus on using resources for the greatest benefit. PRI is responsible for the Council's data and knowledge systems, statutory and regulatory services and corporate complaints aswell as leading developments such as iBase, Cost Benefit Analysis for public service reform, population forecasting model and the annual State of the City reports. Capital Programmes is responsible for the development of the strategic capital programme plan to support the growth of the City and physical infrastructure. Procurement ensures value for money in procuring goods and services required by the Council, whilst also promoting, as far as possible, the city's objectives relating to the economy and environment.

1.13 A new Strategic Commissioning function will be responsible for leading the integration of commissioning across all public services. This will complement the City's single commissioning function for health and social care. The team, when established will develop a close working relationship with Procurement to collectively drive robust contract management, change and efficiencies and shape the skills that will be required in the future including new types of procurement and commissioning approaches with a more commercial focus.

1.14 The division also includes the Audit and Risk Management service which ensures that an effective approach to the Council's risks is taken and encompasses audit, risk, insurance, health and safety and anti-fraud measures. The Shared Service Centre provides 'transactional' support services such as payroll, personnel and training administration, and payments to suppliers. The Shared Service works closely with Human Resources and Organisational Development to deliver a cost effective streamlined service – the team are involved in the HR & OD Improvement Programme which is expected to deliver significant benefits.

1.15 Corporate Services also host the Core's customer-facing service areas Revenues and Benefits, and Customer Services. The Revenues and Benefits Service will collect Council Tax of circa £450m and Business Rates of circa £475m over the three year period 2017/18 to 2019/20 and other money owed to the Council as well as assessing entitlement and making payments for benefits for those on low incomes. Customer Services provides high quality services to residents, business and partners at the first point of contact across a range of channels.

Highways

1.16 The Council's Highways Service play a major role to support the City Council to manage the growth across the City, whilst securing efficient utilisation of the

Highways network and to develop a robust investment strategy aligned to the city's priorities.

1.17 The new integrated Highways Service provides the platform for central management and oversight of the City's highways assets. The integrated service seeks to maximise both income and resource allocation, whilst also delivering the most effective service. The service also seeks to ensure flexibility within the system in order to respond to managing immediate, short and long term priorities as well as urgent issues. The creation and implementation of a measurable plan to improve services across the new Highways function is under development. This will refocus the client function for asset management, route management and programme delivery, and ensure that commercial management is a key driver, ensuring compliance with both time and budgetary constraints. This approach will strengthen the leadership and governance arrangements within Highways in order to drive improvements across the Highways system, increasing our capacity to work effectively with partners including Transport for Greater Manchester, developing new ways of working and maximising the impact of available funds.

Our Manchester

1.18 Manchester has established a new vision for 2025 through the Our Manchester Strategy to be a world class city with:

- A competitive, dynamic, sustainable economy channelling our distinctive strengths in science, advanced manufacturing, creative and digital
- Highly skilled, enterprising, industrious people
- National and international connectivity
- Climate change impacts being limited
- Residents from all backgrounds that feel safe, can aspire, be successful and live well
- A welcoming atmosphere that's clean, attractive, and rich in culture and outward looking.

1.19 Over the last five years the Corporate Core has faced significant reductions in Council budgets which have impacted on the size, scale and shape of the Core. At the same time as delivering significant savings the Core has continued to drive leadership for reform, health integration and support for the delivery of all Council strategic priorities. In this context the Core must now redefine its strategic priorities and align its capacity to support the delivery of Our Manchester.

1.20 The Core is now on the cusp of major changes, these include the first directly elected GM Mayor and a new relationship between Manchester as the core city and the rest of GM as well as major service changes, for example the continued improvements in Children's Services and the integration of Adult Social Care with Health. The Core will also be instrumental in the delivery of Our Manchester, providing the platform for change both internally and externally.

1.21 With the referendum outcome resulting in a decision to leave the European Union (EU) the Core now needs to provide advice and guidance to support the Council, this will include;

- Maintaining growth in order to continue developing the City's trading relationships
- Continue to make the case for the investment in infrastructure and housing growth including housing associations (HA) and the Northern Powerhouse rail links.
- Engage residents, partners and other stakeholders with renewed focus on equality of opportunity and the family poverty strategy.
- Lead the Council’s response to the EU exit process and ensure a combined approach to growth and reform.

1.22 Our Manchester will change the Council's organisational culture over the next 10 years. The Core must lead this change through :-

- Improved and more consistent management across the whole organisation
- Much more engaged staff – improved quality of internal and external engagement
- Lean systems making it easier to get things done – significant dependency on IT platforms - can only go so far without this
- HR & OD will support the culture change of Our Manchester through a new People Strategy

1.23 Strategic finance will provide leadership and technical support for the 100% business rates retention pilot.

2.0 Corporate Core Vision

2.1 The Core will provide strategic leadership to drive delivery of the Our Manchester Strategy ambitions, sustain growth across the city, better connect residents to that growth, create attractive places to live work and visit, and reduce the costly demands placed on public services. Through the introduction of Our People Strategy the Core will drive and lead on changes in the way the Council works, to create new ideas and new relationships, change our leadership and our behaviours, our processes and systems and to achieve the ambitions of Our Manchester.

2.2 Through the continued development and investment of our ICT service the Core will support the achievement and delivery of the Council’s strategic priorities through improvement technology, data and systems.

3.0 Corporate Core Objectives

3.1 The activities of the Corporate Core contribute to both the Council’s objectives and one or more of the four objectives for the Corporate Core as outlined below:

3.2 An overarching strategic objective is to ensure that the directorate's activity is aligned to the Our Manchester Strategy and that the Our Manchester approach is embedded throughout the directorate. The Our Manchester Strategy provides the overarching framework and priorities for action by the Council and partners from all sectors over the next 10 years. These priorities are known as the 64 'We Wills' and in order to be able to achieve these high-level goals there must be a radical change in the way that the council and other organisations across the city operate. This radical change is the Our Manchester approach.

3.3 The Our Manchester approach is a redefined role for the Council and public services as a whole. It puts people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries, and changing the way that the council works to reflect this. It is about listening, then learning, then responding. It is about creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. Finally it is about working together more, by building long term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.

3.4 Since the budget options were published in October, the Council has invited residents and stakeholders to tell us what they think about which options they think should be part of the final budget. Of the budget options published in October £14.18m were for services within the Corporate Core. These have been reduced to £10.56m. No savings are proposed for Highways.

3.5 The majority of people who responded to these options told us that they wanted the Council to proceed with those options to improve efficiency, particularly in back office services and these form a significant part of the budget proposals. This includes proposed efficiencies to all the main support functions of legal, finance, communications, HR & OD, ICT, customer services, and procurement and the strategic functions of policy, performance management, research and intelligence and reform and innovation. However options for service reductions across all of these support and strategic functions have been rejected because of the need to support the delivery of the Our Manchester Strategy and way of working. These more significant reductions were not supported by those who responded to the consultation.

3.6 Options to reduce Human Resources and Organisational Development capacity is not part of the proposals because delivering the new People Strategy is critical to the culture changes Our Manchester will need. However, people did tell us that they supported the option to streamline and standardise HR policies and procedures across the Council and this is part of the proposals.

3.7 A revised option to reduce spending on the Council Tax Support Scheme is part of the proposals because – to do otherwise would impose additional burdens on other Council Tax payers who would have to pay more Council Tax to replace a specific cut in this scheme imposed by the Government. However, options to change the Welfare Provision Scheme have not been included in the proposals.

Drive Leadership and Reform

3.8 The Council's available resources have reduced from £640m to around £500m since 2010/11, which has meant the organisation has had to transform to adapt and use its resources more effectively for the people of Manchester. The Council cannot do this alone, and has negotiated with partners new ways of delivering services which promote independence and reduce long-term reliance on the most costly public services. The public service reform programme has developed new investment and evaluation methods that make better use of the total resources for public services in the city. This involves new service models based on the principles of integrating public services across agencies, working with whole families rather than addressing individual, isolated issues, and delivering services proven with robust evidence to be effective.

3.9 The directorate is at the forefront of supporting the drive for the integration of Health and Social Care across GM and changes to how services for children will be delivered most effectively across GM linked to the devolution agenda. The establishment of a Single Commissioning Function will deliver efficiency and service improvements for service users and staff. Our people from the Directorate are also leading on the arrangements to support the continuing evolution of the Combined Authority with further devolution powers from 2017 and the appointment of an Elected Mayor. Across the Core, staff have a key role in providing the financial case, performance analysis and technological support to ensure people in Manchester feel the benefit of these new powers through new opportunities for them and their families.

3.10 Finally, the core has to be able to support and respond to the continuing changes to the welfare reform agenda and local government finance localisation opportunities, ensuring that local schemes are delivered within budget and cost effectively and that money due to, and collected by the Council can be maximised. A key area for this will be the ongoing collection of Council Tax due and the changes to how Local Government is funded with the move towards full business rates retention.

Enable the Council to Function Effectively

3.11 The Core provides human resources, ICT, legal, finance, performance management, communications, procurement and a range of other crucial support services which allow other Council service areas to focus on delivering services to the highest quality standards. There will be a need to continue to change how technology, systems and data are utilised to deliver further savings and efficiencies; this will involve both internal City Council systems and those of partners. The increased use of automation will not only increase independence and simplify process; it will enable a reduction in the governance and compliance role undertaken within the Core.

3.12 Whilst progress has been made in relation to data and the use of data, further improvements are required. The data strategy will come together with the emerging ICT strategy and should be considered in the context of devolution, health and social care integration and the changing shape of back office support for Manchester and other GM authorities. There has been significant investment in the ICT strategy which has started to deliver some positive outcomes. However, continued investment in our ICT infrastructure and resilience is required in order to deliver future efficiencies and enable improved ways of working.

3.13 A key enabler for changing the shape of the core will be the development and implementation of improved, simplified business and technology processes to reduce dependency and increase automation and self service. This will involve a review of existing processes, business rules and systems across a range of services, including Finance, HR & OD, Shared Service Centre, Customer Contact Centre and Revenues and Benefits. The outcome will be changes to the internal operation of the Council’s most commonly used systems and processes to increase productivity and to enable service users/customers to be able to access Council services in the most straightforward manner possible. By taking a lean systems approach, it can be ensured that systems support staff to be more effective and productive, and residents to interact with the organisation more easily, ensuring an approach of doing “with” our system users, not doing “to” them.

3.14 To maximise benefits there will need to be an end-to-end approach which is not restricted on individual services such as HR & OD or Finance but focuses systems that staff and residents work from a customer perspective. The reviews will be radical and holistic, not small-scale technical studies of individual services. Capacity for undertaking the reviews will be critical. Taking a bottom-up, Our Manchester approach the work will be led by people within individual services, supported by central resources for reform, ICT and others. There will be a strategic approach rather than individual service redesigns with the responsibility for implementing change resting with services. As savings arising from a Lean Systems approach have been included for the Corporate Core the suggestion is to initially focus on options that will deliver savings for HR & OD, Finance, Procurement, Capital Programmes and ICT.

Ensure Good Governance and Accountability

3.15 The Council is committed to operate in a transparent, fair and accountable way. This means:

- Supporting decision makers to take decisions in accordance with the law, involving communities and based on the best available data and intelligence.
- Providing essential support to elected Members in their role as elected representatives within their ward.
- Implementing robust financial management practices that comply with law and regulations and having the right insurance and risk management arrangements in place.
- Protecting the personal information held about people or businesses, whilst disclosing information that is in the public interest.
- Setting out clearly what the Council is aiming to achieve and how it will do it, through plans and strategies for the city, particularly Our Manchester Strategy.
- Ensure that assurance and risk management arrangements are in place that both promote accountability and trust in line with the Our Manchester approach and provide robust checks and balances that protect the council's interests.

Deliver High-Quality, Customer-Focused Services and Value for Money

3.16 The Corporate Core delivers a range of front line services to our residents and supports others to deliver high quality services that meet the needs of residents, businesses and partners and demonstrate value for money. There will continue to be a strong focus on providing an effective customer contact centre to enable quick and easy access to effective digital services whilst focusing on providing support to those most in need through the welfare support scheme, administration of housing benefit and collection of business rates and council tax.

4.0 Revenue Financial Strategy for the Delivery of Objectives

4.1 The Corporate Core 2016/17 gross budget is £396.934m and net budget £76.045m and FTEs of 1,909 across Chief Executives and Corporate Services.

Service Area	2016/17 Gross Budget	2016/17 Net Budget	2016/17 Budgeted Posts (FTE)
	£,000	£,000	
Highways	**33,473**	**11,272**	**196.80**
ICT	**13,002**	**12,922**	**164.50**
HR/OD	3,491	3,439	75.30
Reform and Innovation	832	790	14.00
Policy	7,176	6,769	54.00
Executive Office	268	268	3.00
People, Policy & Reform	**11,767**	**11,266**	**146.30**
Legal Services	6,804	2,758	195.00
Democratic & Statutory Services	4,678	3,339	76.90
Executive Office	3,602	3,602	26.00
Communications	4,777	3,005	86.40
Legal, Democratic Sub Total	**19,861**	**12,704**	**384.30**
CEX Corporate Items	3,160	3,059	
Total Chief Executives	**47,790**	**39,951**	**695.10**
Procurement	1,248	988	28.60
Revenue and Benefits	296,198	8,151	353.50
Financial Management	6,667	5,602	168.00
Audit, Risk and Resilience	1,906	1,446	42.00
Performance	3,587	3,440	80.80
Shared Service Centre	2,320	1,728	120.70
Capital Programmes	-479	-584	80.50
Customer Services	3,901	3,795	142.70
Corporate Services Corporate Items	323	256	
Total Corporate Services	**315,671**	**24,822**	**1016.80**
Grand Total Corporate Core	**396,934**	**76,045**	**1908.70**

*As of December 2016. Reflects Funded Posts

4.2 As part of the 2016/17 budget strategy, there were savings identified with a full year effect of £0.746m across 2017/18 and 2018/19, further detail is shown in the table below.

Service Area	Saving's Proposals Agreed as Part of 2016/17 Budget Strategy.			
	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Cultural Offer	200	0	0	200
Communications	135	0	0	135
Audit, Risk and	10	-30	0	-20
Financial Management	24	0	0	24
Corporate Procurement	-43	0	0	-43
Legal Services	50	50	0	100
Corporate Items	350	0	0	350
Grand Total	**726**	**20**	**0**	**746**

4.3 The three year budget strategy for 2017/18 to 2019/20 supports the strategic objectives for the Corporate Core with proposals for capital investment, revenue growth and savings requirements. Appendices 1 and 2 show the proposed budget for 2017/18 to 2019/20. The Directorate has identified the following priorities which have provided the framework for developing the medium term financial strategy:

4.4 Together with the other Directorates of the Council, the Corporate Core will deliver the shared vision and objectives set out in Our Manchester. The Core will become more streamlined, efficient and technology based. This will directly impact on how the directorates operate. Improvements delivered via initiatives such as lean systems will improve the customer experience and increase productivity within the Core and other directorates. There will be a review of internal processes to improve productivity and capacity including review of grant administration and programme management. The savings proposals have sought to minimise budget reductions in 2017/18 that would put at risk delivery of sustainable service improvement and efficiencies in 2018/19 and 2019/20. To create the platform for future efficiencies and service improvement the following work is in development.

4.5 The introduction of a new ICT collaboration platform, improved infrastructure and resilience will radically change the way that people work and interact on a daily basis – this will be the start of a transformation journey that spans beyond technology. The ongoing support required from ICT to deliver change through technology should not be underestimated if the Core is to achieve the ambitions and improvements set out within this paper.

4.6 The service improvements detailed within this report are all connected to technology, for example improvements within Finance and HR & OD cannot be achieved without the investment of new and/or improved technology, ICT need to secure resilience for telephony to support effective operation of contact centre. Therefore, the ICT team will play a pivotal role in enabling this change and the delivery of technology to enable service improvements from internal and external customer perspective.

4.7 The budget strategy include a proposal for investment to improve the highways network through capital investment in longer term preventative works, leading to the Highways asset being greatly improved and ultimately less reactive maintenance spend in 3-5 five years.

4.8 The integration of Health and Social Care as set out in the Manchester Locality Plan will have implications for Corporate Core functions, particularly people from Finance, Performance, Research and Intelligence, Reform and Innovation, Communications, ICT and Estates. There is a need for teams to be focused on this work and in some cases seconded into either the Local Care Organisation or Single Commissioning Function. Whilst there are no specific financial implications in relation to this included in the budget proposals for the Core, services have sought to ensure there is some capacity to support this over the three year period.

New Savings Proposals 2017/20

4.9 New savings proposals of £10.566m are included for the Corporate Core. These include service improvements and efficiencies, service reductions from the Core and reducing support through the Council Tax Support Scheme. The total is summarised in the table below and the proposals are set out in the following paragraphs and the accompanying savings schedule in Appendix 3. The total workforce impact is estimated to be c.54 FTE posts.

4.10 Whilst there has been a strong focus on developing proposals based around leaner processes, use of improved technology to reduce the level of resource required due to the severity of the resource reductions and pressures the council is facing proposals also include service reductions.

Type of saving	**Amount of Saving Proposals**				**FTE Impact** (Indicative)
	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**Total £000**	
Efficiency/Improvement					
Corporate Core	2,231	675	660	**3,566**	51.5
Council Tax Collection Rates	2,000	0	0	**2,000**	0.0
Cross Directorate	200	750	0	**950**	0.0
	4,431	**1,425**	**660**	**6,516**	**51.5**
Service Reductions					
Corporate Core services	50	0	0	**50**	2.0
Council Tax Support Scheme	1,000	0	0	**1,000**	0.0
Cross Directorate	0	1,500	1,500	**3,000**	0.0
	1,050	**1,500**	**1,500**	**4,050**	**2.0**
Total	**5,481**	**2,925**	**2,160**	**10,566**	**53.5**

<u>ICT</u>

4.11 The ICT net budget for 2016/17 is £12.922m with 164.5 budgeted ftes. The service has identified efficiency and improvement savings totalling **£1.150m** - £460k in 2017/18, £520k in 2018/19 and £170k in 2019/20. This would be achieved from efficiencies and investment in ICT over the next three years:

- Reduction in maintenance, licensing and printing costs (£640k)
- Travel budgets across the Council following implementation of new Collaboration platform (£100k)
- Deletion of vacant posts following introduction of Information Technology Services Management system (£160k)
- Reduction in the budget for maintenance and refresh of equipment (£250k)

<u>People, Policy and Reform</u>

4.12 The Human Resources and Organisation Development (HR/OD) service has a net budget of £3.439m and 75.30 budgeted FTE. Within the three year budget period the HR/OD Improvement Programme will deliver service improvements. This will focus on increased productivity and efficiencies both cashable and non-cashable within both the service and the wider Council. A case for investment is being worked up as part of the wider investment in ICT strategy to enable smarter ways of working. A shorter term programme is already focussed on implementing recommendations from a transactional service review to create capacity and deliver savings in year one of the budget options.

4.13 These changes will support a new people strategy, one of the foundations of Our Manchester and have the People Strategy Principles at their centre. The service has identified overall efficiency savings of **£69k** in 2017/18 from deleting one vacant post and reducing the supplies budget. Savings for 2017/18 have been identified of **£200k** from Annual Leave Purchase Scheme agreed in late 2015.

4.14 Policy, Partnerships and Research has a net budget of £6.769m (of which £2.5 million is staffing costs) and 54 budgeted FTEs. Efficiency savings of **£100k** in 2017/18 have been identified from a reduction of staffing, research and common services budgets.

4.15 Reform and Innovation has a net budget of £0.790m and 14 budgeted ftes. The purpose of the service is to drive the scale and pace of reform required in future. The team are a flexible resource supporting the priorities of Executive Members and the Strategic Management Team. The service has identified **£55k** of efficiency savings from staffing.

<u>Revised HR Policies and Processes</u>

4.16 The organisation’s HR policies and processes will need to evolve to support change and take advantage of new opportunities for innovation and collaboration as they emerge.

4.17 If streamlining HR policies were to reduce mainstream employment costs by 1.9 per cent around **£3m** would be released. This would need to be phased over the final two years of the budget in 2018/19 and 2019/20 to allow time for the changes to be carefully planned.

4.18 At this stage there are no specific changes being proposed to achieve this saving. Instead there is a wish to engage staff and trade unions in exploring how the wider workforce cost could be reduced without further reducing the number of posts. Staff and trade unions are encouraged to make their own suggestions to achieve these wider workforce savings. Any specific proposals that go forward would then be subject to formal consultation with staff and trade unions.

4.19 It should be noted that Manchester City Council has committed to ensuring fair pay, and has set out how it will meet the Manchester Living Wage (MLW). This has been and continues to be a benefit to our lower paid workers who have in the past relied on variable pay to top-up their basic salaries. As the MLW wage increases, the impact on the lower end of the Council’s pay structure will need to be addressed.

Legal and Democratic Services

4.20 The net budget for Legal and Demographic Services is £12.704m with budgeted ftes of 384.3. Efficiency savings of **£155k** are proposed from the following areas

- Review of provision of mortuary services on a Manchester or Greater Manchester basis - investigate alternative means of provision or commissioning by engaging with hospital trusts saving of £55k in 2018/19.
- As the number of childcare cases reduces in line with changes across health and children's services the number of solicitors required will reduce releasing a saving of £100k in 2019/20.

4.21 Further savings of **£50k** in 2017/18 are proposed which could represent a service reductions from business support across City Solicitors through different ways of working creating a saving of £50k (c2fte) in 2017/18.

Corporate Services

4.22 Corporate Service has a 2016/17 net budget of £24.822m and 1016.8 budgeted ftes. A review of the 2016/17 budget position has been carried out to identify vacancies and any non-pay underspends which can be made permanent in 2017/18. More fundamental work is underway across Corporate Services to better align services and enable benefits from ‘lean system reviews’ and other service changes to be realised towards the end of the three year period. This includes:

- Moving all residual Financial Exchequer functions into the Shared Service Centre to align all payment services under a single leadership
- Review of assurance, governance and risk process in the context of lean to deliver a sustainable model, fit for purpose to deliver against priorities and provide an appropriate relevant level of assurance

- The potential for greater collaborative working across Greater Manchester audit and risk management services
- The review of Capital Programme Delivery, Procurement and Commissioning to improve delivery and support future savings

4.23 Savings proposals from Corporate Services over the period 2017-20 from efficiencies and improvements total £2.037m (c41 ftes) as set out in the paragraphs below:

4.24 In 2017/18 as a result it is proposed to delete two posts in Audit, Risk and Resilience saving **£78k**, a post in Corporate Procurement saving **£54k** and a post in Customer Services saving **£50k**. Further efficiencies of **£67k** can be achieved by reducing by a further post in Corporate Procurement and through the increased income for the service they provide to other local authorities.

4.25 Within Financial Management the deletion of four vacant posts, reducing the supplies and services budget and after taking account of loss of income will save **£113k** in 2017/18. This will rise by a further **£100k** in 2018/19 from deletion of a vacant Head of Finance post. In 2017/18 this budget will be used to provide finance capacity for transition for the new arrangements for health and social care.

4.26 Further savings for Financial Management of **£390k** are proposed in 2019/20 following implementation of outcome from lean systems review which would require ICT investment as set out in para 4.34 below and significant changes in roles and responsibility across Financial Management, Shared Service Centre and Children and Adults Directorates to deliver. This will take a significant amount of capacity out of the service that monitors high risk and volatile budgets and will bring the total fte reduction from across Financial Management to 16 fte over the three year period.

4.27 In Revenues and Benefits New Burdens funding of **£400k** will be used to support the service releasing the equivalent amount in savings. There is also an underspend of £378k in 2016/17 which will release a full year saving of **£448k** in 2017/18. This is a reduction of £200k, 7 ftes vacancies, through efficiencies and £248k, 8 ftes vacant posts to be deleted, from transfer of fraud investigation functions to DWP. In the Shared Service Centre it is proposed to delete a further 5 fte vacant posts following service redesign plus additional income of £200k to realise saving of **£322k** for 2017/18. It is also proposed to administer a charge estimated at **£15k** for managing the City Centre Business Improvement District collection of monies.

4.28 In addition to the savings proposals above a target to achieve savings of **£750k** from procurement and contract management from 2018/19 has been set.

4.29 Continued strong performance in Council Tax collection will see a further **£2m** additional income from 2017/18.

Council Tax Support Scheme

4.30 In 2013 the government abolished Council Tax Benefit and replaced it with a localised discretionary scheme and reduced the amount of funding to 90% of the current spend. This funding is now part of the overall local government financial settlement and has therefore continued to reduce and is now £23m less than the amount paid out in support and this is estimated to rise to £30m less by 2018/19. The current scheme provides a maximum of 85% of liability.

4.31 The Council has consulted on options for reducing spend on the **Council Tax Support (CTS) Scheme** for 2017/18 by £2m. Following the outcome of the CTS consultation and reflecting the proposal to Executive regarding the social care precept and the impact this will have on Council Tax, a reduced saving of **£1m** is proposed from changes to the scheme to mitigate the impact on working age CTS claimant households in the city. This will provide a maximum support of 82.5% of liability for working age residents. The detailed proposals on the CTS Scheme were set out in a separate report the Executive on January 11th.

Technological Support to Implement Changes

4.32 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from a Council and GM perspective. How the authority structures, governs and utilises data will be pivotal to the successful delivery of these agendas. Further investment will be required in how technology and the systems of the Council and partner organisations are utilised to deliver further savings and efficiencies. This will require a continuation of the ICT transformation journey.

4.33 ICT will work closely with the Directorate to identify ICT solutions that comply with the Information and ICT design principles and to develop robust business cases to support their development. The Capital Strategy sets out proposals for developing the next stage of investment in ICT.

4.34 The following have been highlighted as key to underpin and support delivery of the Corporate Core transformation programme that will be will be heavily dependent on improved technology and an increase of self-service:

- The HR and Financial Management Improvement Programme include the fundamental review of business processes. The delivery of new ways of working and the associated savings is dependent on the introduction of technology. This includes the requirement for:
  - A full people management technology solution which would enable workflow and self-service and systems to enable succession, talent planning and skills audit.
  - A learning platform with video and audio capability to enable more cost effective and targeted training across the workforce.
  - Delivery of the new social care case management system linking to an automated financial assessment and payments modules and the core SAP system

  - o A review of the existing finance systems including SAP (ERP) with a view to stabilise, replace or upgrade plus introduce compatible modules to improve integrated and more efficient working in order to deliver e.g. the introduction of BCP to link finance and HR data.

- Work to ensure that all applications and systems are fit for purpose and compliant. This will include statutory upgrades to Academy and SAP to ensure statutory financial and HR processes can be delivered within deadline.

- The systems in Legal will be reviewed and upgraded or replaced as well as ensuring that the corporate intranet platform and CRM are fit for purpose.

- Further work will be required to define and deliver a print strategy including the further use of a hybrid print and mail solution to deliver savings.

4.35 There will be a continued focus on maintaining availability of all key applications and backup facilities to ensure availability, business continuity and resilience. ICT will be continuing its programme of infrastructure stabilisation and transformation. Major projects include providing a new collaboration platform, a new Citrix environment and developing disaster recovery for all critical ICT systems.

Investment Proposals, Budget Growth & Pressures

4.36 The existing capital programme from 2016/17 to 2019/20 and the proposed 2017-2022 five year capital strategy includes approval for significant investment for Corporate Core services for Highways, Street Lighting and ICT.

4.37 The capital programme includes significant capital resource to deliver a programme of investment across the ICT estate to stabilise the estate and support transformational change for the Corporate Core and other Directorates. In addition revenue funding of £1.859m is proposed to made available again for the ICT service and Performance, Research and Intelligence service to fund the delivery of the Information and ICT strategy, in particular the provision of disaster recovery capability. Work has commenced to put in place new arrangements for the data centre and disaster recovery during 2017/18. There is a further £100k available to ICT for the costs of additional licences that are required following a review exercise which commenced in 2016/17. This funding will be held in a corporate budget and drawn down once resource requirements are identified and spending approval secured.

4.38 For the Highways Service there is a growing pressure on the revenue budget from the need for reactive maintenance due to the poor condition of the highways network with underlying projected full year spend for 2016/17 having increased by £0.8m since 2015/16, leading to a pressure in 2016/17. A bid for further capital investment over the next five years is planned to create an investment model utilising the Planned Maintenance grant received from the

Department for Transport alongside Council funding to improve the Council's Highways assets. An additional recurrent £2m for highways maintenance has been included in the proposed revenue budget for 2017/18. Longer term the investment strategy should reduce the need for reactive spend on pot hole repairs.

4.39 A programme of bridge maintenance is planned across the Council's Highways estate with bid for capital investment. An additional £275k has also been included in the revenue budget proposals to cover the costs of the bridge inspections.

4.40 Investment in the retrofitting of LED lights across the street lighting estate will see a reduction in both energy costs and the PFI unitary charge, due to reduced maintenance costs. The savings will not be fully achieved until the three year programme of installations is complete. It was agreed as part of the 2016/17 budget proposals that an additional £400k be provided to meet the budget shortfall in respect of the PFI contract costs.

4.41 Human Resources - £220k continued revenue from 2016/17 to fund 3 FTEs providing a dedicated team to support Directorates on complex disciplinary, attendance and grievance cases. It is anticipated that the benefits in terms of officer time undertaking investigations, lost time through suspension or long term absence and settlements would outweigh the investment required. A further 2 posts are required to support the induction and training of around 50 new managers within Children's and Families and implementation of a national knowledge and skills statement for all social workers and their managers.

4.42 Revenue investment of up to £400k for the new strategic commissioning function with capacity to drive new approaches on how services are procured, new contract mechanisms including a strengthened focus on outcomes and capacity to ensure contracts effectively managed, discounts achieved and outcomes delivered. The council procures circa £480m of supplies and services, skills and capacity will be essential to the delivery of the council's planned and future savings and securing future value for money. This will support the delivery of £0.750m savings from a review of existing contract spend and contract management arrangements including compliance, delivery and use of contract penalties across the Council.

Impact on Residents Communities and Customers

4.43 Manchester has a diverse and rapidly changing population and it is important that the Council is able to manage its business priorities with due regard for the wide-ranging and complex priorities and needs of the city's residents. The business planning process helps the Council to consider and communicate how it will fulfil the requirements of the Public Sector Equality Duty in the development of its business priorities. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the city.

4.44 The Council is proud of its accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorates' equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment.

Workforce Impact.

4.45 The Corporate Core Directorate currently has 1,909 budgeted FTEs. The workforce impact of the budget options is largely dependent on the options taken forward, as a number of options will deliver workforce efficiencies or longer term service improvements however cannot deliver both. On this basis the potential reduction could be up to 53.5 FTE posts; this would be a mixture of actual reductions and funded vacancies.

4.46 There is a growing requirement to invest in the leadership approach and development and engagement and communication with people, both in response to the outcomes of the b heard survey and in line with the Our Manchester approach. This shift will require a new leadership framework and the tools to provide a platform for improvement along with a shift in our leaders and managers and workforce to embrace the concept of personal responsibility and accountability. These are some of the principles that will inform the new People Strategy.

4.47 In line with the context of reform and integration our HR/OD team will become more externally focused. This will enable the Council to be at the centre of developing new approaches to career pathways and developing new routes that cross traditional boundaries

4.48 All of the workforce changes will be underpinned by improved technology and more modern effective ways interacting with colleagues and customers.

Appendix 1: Proposed budget and full-time equivalent people for 2017/18 – 2019/20

Corporate Core	2016/17			2017/ 18			2018/ 19			2019/ 20		
	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)	Gross Budget	Net Budget	Budgeted Posts (FTE)
Service Area	**£,000**	**£,000**		**£,000**	**£,000**		**£,000**	**£,000**		**£,000**	**£,000**	
Highways	**33,473**	**11,272**	**196.8**	**33,473**	**10,922**	**196.80**	**33,473**	**10,922**	**196.80**	**33,473**	**10,922**	**196.80**
ICT	**13,002**	**12,922**	**164.5**	**12,542**	**12,462**	**160.50**	**12,022**	**11,942**	**160.50**	**11,852**	**11,772**	**160.50**
HR/OD	3,491	3,439	75.3	3,422	3,370	74.30	3,422	3,370	74.30	3,422	3,370	74.30
Reform and Innovation	832	790	14.0	777	735	13.00	777	735	13.00	777	735	13.00
City Policy	7,176	6,769	54.0	6,876	6,469	51.50	6,876	6,469	51.50	6,876	6,469	51.50
Executive Office	268	268	3.0	268	268	3.00	268	268	3.00	268	268	3.00
People, Policy & Reform	**11,767**	**11,266**	**146.3**	**11,343**	**10,842**	**142**	**11,343**	**10,842**	**142**	**11,343**	**10,842**	**142**
Legal Services	6,804	2,758	195.00	6,704	2,658	193.00	6,654	2,608	193.00	6,554	2,508	191.00
Democratic & Statutory Services	4,678	3,339	76.9	4,678	3,339	76.90	4,623	3,284	76.90	4,623	3,284	76.90
Executive Office	3,602	3,602	26.0	3,602	3,602	26.00	3,602	3,602	26.00	3,602	3,602	26.00
Communications	4,777	3,005	86.4	4,642	2,870	86.40	4,642	2,870	86.40	4,642	2,870	86.40
Legal, Democratic Sub Total	**19,861**	**12,704**	**384.3**	**19,626**	**12,469**	**382**	**19,521**	**12,364**	**382**	**19,421**	**12,264**	**380**
CEX Corporate Items	3,160	3,059		2,685	2,584		2,055	1,954		2,055	1,954	
Total Chief Executives	**47,790**	**39,951**	**695**	**46,196**	**38,357**	**685**	**44,941**	**37,102**	**685**	**44,671**	**36,832**	**683**
Procurement	1,248	988	28.60	1,224	910	26.60	1,224	910	26.60	1,224	910	26.60
Revenue and Benefits	296,198	8,151	353.50	295,350	7,288	338.50	295,350	7,288	338.50	295,350	7,288	338.50
Financial Management	6,667	5,602	168.00	6,530	5,465	164.00	6,430	5,365	163.00	6,040	4,975	152.00
Audit, Risk and Resilience	1,906	1,446	42.00	1,818	1,358	40.00	1,848	1,388	40.00	1,848	1,388	40.00
Performance	3,587	3,440	80.80	3,587	3,440	80.80	3,587	3,440	80.80	3,587	3,440	80.80
Shared Service Centre	2,320	1,728	120.70	2,188	1,406	115.70	2,188	1,406	115.70	2,188	1,406	115.70
Capital Programmes	- 479	- 584	80.50	- 479	- 584	80.50	- 479	- 584	80.50	- 479	- 584	80.50
Customer Services	3,901	3,795	142.70	3,851	3,745	141.70	3,851	3,745	141.70	3,851	3,745	141.70
Corporate Services Items	323	256	-	323	256	-	323	256	-	323	256	-
Total Corporate Services	**315,671**	**24,822**	**1,016.8**	**314,392**	**23,284**	**987.8**	**314,322**	**23,214**	**986.8**	**313,932**	**22,824**	**975.8**
Cross Cutting Savings				**- 200**	**- 200**	**-**	**- 2,450**	**- 2,450**	**-**	**- 3,950**	**- 3,950**	**-**
Grand Total Corporate Core	**396,934**	**76,045**	**1,908.70**	**393,861**	**72,363**	**1,869.20**	**390,286**	**68,788**	**1,868.20**	**388,126**	**66,628**	**1,855.20**

Appendix 2: Proposed budget, savings, growth and other changes 2017/18 to 2019/20

Corporate Core	2016 / 17	2017 / 18			2018 / 19			2019 / 20		
	Net Budget 2016/17 £,000	Growth and other Budget Changes	Savings	Net Budget 2017/18	Growth and other Budget Changes	Savings	Net Budget 2018/19	Growth and other Budget Changes	Savings	Net Budget 2019/20
Service Area	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
Highways	**11,272**		**-350**	**10,922**			**10,922**			**10,922**
ICT	**12,922**		**-460**	**12,462**		**-520**	**11,942**		**-170**	**11,772**
HR/OD	3,439		-69	3,370			3,370			3,370
Reform and Innovation	790		-55	735			735			735
City Policy	6,769		-300	6,469			6,469			6,469
Executive Office	268			268			268			268
People, Reform & Innovation	**11,266**	**0**	**-424**	**10,842**	**0**	**0**	**10,842**	**0**	**0**	**10,842**
Legal Services	2,758		-100	2,658		-50	2,608		-100	2,508
Democratic & Statutory Services	3,339			3,339		-55	3,284			3,284
Executive Office	3,602			3,602			3,602			3,602
Communications	3,005		-135	2,870			2,870			2,870
Legal, Democratic Sub Total	**12,704**	**0**	**-235**	**12,469**	**0**	**-105**	**12,364**	**0**	**-100**	**12,264**
CEX Corporate Items	3,059	-475		2,584	-630		1,954			1,954
Total Chief Executives	**39,951**	**-475**	**-1,119**	**38,357**	**-630**	**-625**	**37,102**	**0**	**-270**	**36,832**
Procurement	988		-78	910			910			910
Revenue and Benefits	8,151	0	-863	7,288			7,288			7,288
Financial Management	5,602		-137	5,465		-100	5,365		-390	4,975
Audit, Risk and Resilience	1,446		-88	1,358		30	1,388			1,388
Performance	3,440			3,440			3,440			3,440
Shared Service Centre	1,728		-322	1,406			1,406			1,406
Capital Programmes	-584			-584			-584			-584
Customer Services	3,795		-50	3,745			3,745			3,745
Corporate Services Corporate Items	256			256			256			256
Total Corporate Services	**24,822**	**0**	**-1,538**	**23,284**	**0**	**-70**	**23,214**	**0**	**-390**	**22,824**
Cross Cutting Savings			**-200**	-200	**0**	**-2,250**	**-2,450**	**0**	**-1,500**	**-3,950**
Grand Total Corporate Core	**76,045**	**-475**	**-3,207***	**72,363**	**-630**	**-2,945**	**68,788**	**0**	**-2,160**	**66,628**

*The budget adjustment from new savings excludes £2m savings from increased Council Tax collection and £1m savings from Council Tax Support Scheme shown in Appendix 3. Instead this is reflected as an adjustment to Corporate resources from Council Tax which is outside of the cashlimit budget for the Core.

Appendix 3: Summary Budget Position and Savings Schedule

Service Area	Description of Saving	RAG Deliverability	RAG Impact	Amount of Saving Proposal 2017/18 £,000	2018/19 £,000	2019/20 £,000	Total £,000	FTE Impact (Indicative)
IMPROVEMENT AND EFFICIENCY								
Audit, Risk and Resilience	Reduce risk and resilience staffing	Green	Green	78			78	2.0
Corporate Procurement	Increased external income from sale of procurement services	Red	Amber	54			54	1.0
	Staffing reduction	Green	Green	67			67	1.0
Customer Services	Staffing reduction	Green	Green	50			50	1.0
Financial Management	Reduce supplies and services budget, delete vacant posts and reduce valuation budgets	Green	Green	113			113	4.0
	Reduce funding for vacant Head of Finance post following implementation of lean systems	Green	Amber		100		100	1.0
	Lean Systems : Service review and improved efficiency through ICT developments and changes to finance processes	Red	Green			390	390	11.0
HROD	Existing vacancy, regrading of vacant G9 and other nonstaff	Green	Green	69			69	1.0
ICT	Revenue savings through reduction in contract costs - data & telephony, mobiles and printing	Amber	Green	150	150		300	
	Staffing reduction following implementation of ITSM	Amber	Green	160			160	4.0
	Reduction in maintenance and refresh of ICT equipment	Green	Amber	100	150		250	

Service Area	Description of Saving	RAG Deliverability	RAG Impact	Amount of Saving Proposal				FTE Impact (Indicative)
				2017/18	2018/19	2019/20	Total	
				£,000	£,000	£,000	£,000	
	Revenue savings through reduce maintenance/licensing cost following capital investment	Amber	Green		170	170	340	
	Travel reductions across the Council from collaboration technology	Amber	Green	50	50		100	
Legal and Democratic Services	Staffing reduction in legal services following planned reduction in Children's caseload	Amber	Amber			100	100	2.0
	Review of provision of mortuary services on a Manchester or Greater Manchester basis.	Amber	Amber		55		55	
Policy	Staffing reduction	Green	Amber	100			100	2.5
Reform and Innovation	Staffing reduction, reduction in hours and deletion of time limited posts.	Green	Amber	55			55	1.0
Shared Service Centre	Additional income and deletion of five vacancies	Green	Green	322			322	5.0
Revenues and Benefits	Staffing reduction from existing vacancies following efficiencies and transfer of functions to Dept Work and Pensions	Green	Green	448			448	15.0
	Implement charge for managing the City Centre Business Improvement District collection of monies	Amber	Green	15			15	
	Improve Council Tax collection rates (increased Corporate resource)	Green	Green	2,000			2,000	
	Utilise New Burdens funding	Green	Amber	400			400	
Cross Directorate - non employee related budgets	Contract savings across all Directorates	Red	Amber		750		750	

Service Area	Description of Saving	RAG Deliverability	RAG Impact	Amount of Saving Proposal				FTE Impact (Indicative)
				2017/18	2018/19	2019/20	Total	
				£,000	£,000	£,000	£,000	
Cross Directorate Employee related budgets	Annual Leave Purchase Scheme	Green	Green	200			200	
TOTAL IMPROVEMENT AND EFFICIENCY				**4,431**	**1,425**	**660**	**6,516**	**51.5**
SERVICE REDUCTIONS								
Legal and Democratic Services	Business Support Review for City Solicitors	Amber	Amber	50			50	2.0
Council Tax Support Scheme	Reduction in spend on the Council Tax Support Scheme.	Green	Amber	1,000			1,000	
Revised HR policies and processes	If streamlining HR policies were to reduce mainstream employment costs by 1.9 per cent around £3m would be released.	Red	Red		1,500	1,500	3,000	
TOTAL SERVICE REDUCTIONS				**1,050**	**1,500**	**1,500**	**4,050**	**2.0**
TOTAL CORPORATE CORE				**5,481**	**2,925**	**2,160**	**10,566**	**53.5**

Manchester City Council
Report for Information

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny – 20 February 2017

Subject: Housing Revenue Account 2017/18 to 2019/20

Report of: Strategic Director (Development) and City Treasurer

Purpose of the Report

This report presents members with details on the proposed budget for the Housing Revenue Account (HRA) for 2017/18 and indicative budgets for 2018/19 and 2019/20. Furthermore it highlights the current use of reserves, along with the risks that need to be managed.

The proposed budget reflects the latest information on implementation of recent legislation from the Housing and Planning Act 2016 and Welfare Reform Act 2016 the latter of which requires social housing rents to reduce by 1% per annum for four years from April 2016. The 2017/18 to 2019/20 budget period are the last three years of the four year mandatory 1% rent reduction which has been reflected in the financial plan. Based on Government guidance the proposed rents levels includes a reduction of 1% to all properties except for housing properties managed under a Private Finance Initiative (PFI) contract, where the rent will be increased by 2.0%.

Recommendations:

The recommendations below were approved by the Executive on 11 January 2017 and the report is presented for reference as part of the suite of budget reports.

The Executive has already agree to:

a) Note the forecast outturn in 2016/17 as detailed in section 4 and Appendix 1.

b) Approve the 2017/18 HRA budget as presented in Appendix 1 and note the indicative budgets for 2018/19 and 2019/20

c) Approve the proposed 1% decrease to dwelling rents (subject to the exception outlined above), and delegation of the setting of individual property rents, to the Director of Housing and the City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

d) Approve the proposal that where the 2017/18 rent is still not at the formula rent level, the rent is revised to the formula rent level when the property is re-let

e) Approve increased capital expenditure of £6.5m funded from the HRA for the Collyhurst Regeneration Scheme.

f) Approve the proposals for communal heating charges in 2017/18 as detailed in paragraph 5.14.

g) Approve the management fee to be paid to Northwards as detailed in paragraphs 5.26 for 2017/18.

h) Note that the Northwards fee for 2018/19 and 2019/20 is notional and will be reviewed during 2017.

i) Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

Wards Affected: Charlestown, Cheetham, Crumpsall, Harphurhey, Higher Blackley, Moston, parts of Ancoats and Clayton, Ardwick, Bradford and Miles Platting and Newton Heath

Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Appropriate housing is vital to ensuring that residents achieve their full potential. Setting rents at an appropriate, affordable level will enable tenants to live in locations which meet their aspirations in terms of education and employment.
A highly skilled city: world class and home grown talent sustaining the city's economic success	People living in energy efficient housing in good repair and of adequate size are more likely to stay in good health and have suitable conditions and space for studying.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Quality housing is intrinsically linked to residents' health, well being and feeling about their community. Setting rents at an appropriate, affordable level will assist in this.
A liveable and low carbon city: a destination of choice to live, visit, work	Improving the quality and management of the housing offer is fundamental to creating neighbourhoods where people choose to live. Setting rents at an appropriate, affordable level will enable tenants to live in locations which meet their aspirations in terms of preferred neighbourhood.
A connected city: world class infrastructure and connectivity to drive growth	A healthy and fit for purpose housing market is essential for the economic growth of the City. People living in energy efficient housing in good repair are more likely to stay in good health and so be able to obtain employment and to stay in employment. Setting rents at an appropriate, affordable level will assist in this.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Expenditure and income on the provision of Council housing must been contained with the Housing Revenue Account which is a ring fenced budget separate to the Council’s General Fund. The recommendations in this report will determine the financial plan for 2017/18 – 2019/20 and impact on the overall financial model for the HRA over a 30 year period.

The HRA financial plan covers a rolling period of 30 years and is made up of rental income, Private Finance Initiative (PFI) grant and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets. The amount of income in the HRA excluding monies from reserves is approximately £88m in 2016-17.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is credited to the Major Repairs Reserve and this can be used to either fund capital expenditure or reduce any housing debt. This results in a charge of £13.286m to the HRA in 2017/18 which will be made available for capital investment. Due to a previously forecast surplus on the HRA, approval was given to set aside £64m for further capital investment between 2013/14 to 2019/20.

The proposed capital programme for 2017-18 and 2018-19 includes a further £6.5m in relation to the Collyhurst regeneration scheme which is included in the proposed five year capital strategy 2017-2022 for the Council.

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Background documents (available for public inspection):
None

1. Introduction

1.1. The purpose of this report is to approve the Housing Revenue Account (HRA) 2017/18 budget and provide members with recommendations for approval in respect of the 2017/18 tenants' rent, garage rents and communal heating charges.

1.2. This report sets out the HRA budgetary proposals for 2017/18, and the indicative position for 2018/19 and 2019/20. Furthermore it highlights the current use of reserves, along with the risks that need to be managed.

2. Background

2.1. Since the introduction of Self Financing in April 2012 the Council has had to manage its housing stock on a self financing basis. This has entailed developing a rolling 30 year business plan, and reviewing the use of existing assets to ensure that benefits are maximised.

2.2. In developing the 30 year business plan it is essential that the Council considers all risks, and ensures that any investment decisions are affordable both in the short and long term.

2.3. During 2016 there has been significant legislative change following the introduction of the Housing and Planning Act and Welfare Reform Act, in addition to this there have been policy changes that have affected the HRA budget, both in the short term and in future years.

- The imposition of a 1% annual rent cut for four years from 1st April 2016 has had a significant effect on available resources over the life of the plan.
- A requirement for local authorities to sell high value voids to pay toward the extension of the right to buy scheme to housing associations is expected to have a major impact, although to date we do not have details on how this will impact on the Council as DCLG have indicated that the scheme has now been deferred until 2018/19 at the earliest whilst a further larger scale pilot of extended right to buy is implemented.
- The Government is reviewing the use of lifetime tenancies in social housing with the aim to ensure the best use of the country's social housing stock and that households are offered tenancies that match their needs. DCLG have indicated that the timetable for implementation is still April 2017 although there are industry views that this could slip.

2.4 It has recently been announced by the Government that the policy set out in the Housing and Planning Act 2016 to enforce Local Authorities to charge a higher level of rent to households with an annual income in excess of £31,000 (known as Pay to Stay) will no longer be going ahead.

2.5 It was identified in 2016/17 that due to the loss of rent income the current forecast reserves mean that the HRA is no longer viable in the medium/longer term. The current business plan shows that reserves fall below the £50m level required to avoid having to pay interest charges on debt in addition to that already incurred in 2023/24, and the reserves run out by 2032/33. There is much that will impact upon the forecasts used, in particular around rent increases and high value sales, but clearly savings will have to be identified in order to ensure that the HRA does not run into a deficit.

2.6 In order to ensure that resources are utilised as efficiently as possible, a review was commissioned during 2016/17 to consider the most appropriate housing management business model for MCC in respect of the stock managed by Northwards, taking into account the current performance of Northwards, the current operating environment, and the options available to MCC for its future as a landlord in light of its wider strategic objectives. A separate report will be considered by Executive in relation to this matter. Some of the savings identified have been agreed with Executive Members and have already been applied to the business plan in this report

3. Statutory Duties in Determining the HRA Budget Strategy

3.1. The rules governing the maintenance of the HRA were established pursuant to the Local Government and Housing Act 1989 and provide that:

- The Council must formulate proposals in respect of HRA income and expenditure for the financial year which, on the best assumptions and estimates that the Council is able to make at the time, ensure that the HRA does not show a deficit balance;
- The Council is required to keep a HRA in accordance with proper practice. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is in balance taking one year with another.
- The HRA continues to be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the Housing Service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income.

4. Budget Position 2016/17

4.1. The forecast based on the position at the end of October 2016 showed that the HRA will have an in year surplus of £142k. This is £8m less than the deficit originally budgeted, and the main reasons for this change are as follows:

- RCCO - £5.7m underspend - The reduction in the forecast need for revenue to support the capital programme is due to large amounts of underspend in the current year’s capital programme.

- PFI Contractor payments - £1.421m underspend – The main issue is the delay in capital works at Brunswick which is resulting in a reduced monthly unitary charge and delayed capital payments. Payment of the capital payments (£1.072m) will be carried forward into 2017/18.

- Rental Income - £179k underspend – Void levels have been lower than had been forecast, resulting in a higher level of income.

- Bad Debt Provision - £498k underspend – The latest assessment of the required level of bad debt provision suggests that we are still over providing in relation to Housing rents by around £250k, which is in line with previous years, although we have not yet seen the full impact of Welfare benefit changes. However, there is the possibility that some of this reduction will be required to cover bad debts in relation to leaseholder charges, and it is anticipated that this will become clearer later in the year.

- Communal Heating (Income & Expenditure) - £324k underspend – Forecast income and expenditure at a similar level to 2015/16. If the winter period is colder or warmer than last year then this will affect the estimated under spend.

5. Budget Strategy 2017/18 - 2019/20

5.1 The HRA financial plan has been prepared taking into account all known changes to housing stock numbers, ongoing management arrangements, proposed investment needs and also assumptions in line with the City Council medium term financial plan around pay and inflationary increases. It also takes account of assumptions on the impact of Welfare Reform which initially commenced in April 2013, but is continuing to be rolled out over the next few years. To date the anticipated reduction in income has not materialised but the position will continue to be monitored closely, and an increased bad debt provision has been retained in the budget for future years.

5.2 The HRA budget shows statutory compliance in that a surplus is forecast (before the use of reserves to fund capital works) at the end of each year within the three year budget strategy period. However, the imposition of the four year 1% rent reduction has meant that this is not sustained over the life of the 30 year business plan. Action will be required to identify what efficiencies can be made to ensure that reserves are kept at a sufficient level to enable risk to be managed and resources to be available to fund future investment requirements to manage the housing stock.

Management of Housing Stock and Implications of “Right to Buy”

5.3 The Council continues to own and manage over 16,000 properties within the HRA under various arrangements. These include three PFI schemes, as well as stock managed by either Northwards Housing or other Registered Social Landlords (RSL’s). During 2016/17, the City Council currently anticipate selling around 160 properties under the Right to Buy (RTB) scheme. This is significantly more than in 2015/16 due to the introduction of improved discounts in 2015/16. It is assumed the RTB numbers will remain at a similar level (1%) for the duration of the business plan period of 30 years. This will reduce the level of rent income achieved and the numbers of right to buys will continue to be closely monitored to determine the impact on the financial plan.

5.4 In the Council's role as landlord there is an on going requirement to manage each of the Housing PFI contracts, the West Gorton management contract, the Alderley Edge management contract, the two Tenant Management Organisations and the Northwards management agreement, together with managing the HRA itself.

5.5 The table at Appendix 1 provides a detailed analysis of the overall proposed budget which is forecasting a surplus of £9.0m in 2017/18 (before the use of reserves for capital works).

5.6 The key budget assumptions used in preparing the HRA budget are as follows:

Rent Income

5.7 Prior to the announcement of the rent reduction, Government had advised that rents would increase by CPI + 1% until 2024/25. In the absence of any confirmation as to what rent increases will be permitted from 2020/21 onwards, it has been assumed that the rent increase will revert to CPI from that point on. In 2016/17 the rent reduction did not apply to sheltered housing or PFI properties, however for 2017/18 and the following two years, only PFI properties will be exempt. For those properties where formula rent has not been achieved (approximately 1,000), the rent can still be amended when a property is re-let.

5.8 This report seeks approval for April 2017 to:

- Increase rents relating to properties managed under PFI arrangements by 2.0% in line with Government advice
- Reduce rents for all other dwelling houses by 1%

5.9 The budget has been prepared on this basis, and this would produce an average weekly rent (based on 52 weeks) of:

- General Needs £73.18
- Supported Housing £67.13
- PFI Managed £77.74

Other Income

5.10 Details of other Income as shown in appendix 1 is as follows:

- Non dwelling rents and other income includes:
  - Non dwelling rents – income from garage rents, office rents, ground rent and telecoms masts

  - Other income and contributions – girobank charges to Northwards, contributions from the Council towards grounds maintenance at Miles Platting and solar panel income
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness Services provided by the Council.
- VAT Shelter Credits – income from other registered providers in relation to VAT recovery on repairs and maintenance costs following stock transfers.
- HRA Investment Income – the HRA receives income on balances held within the Council's bank account.
- Income from Leaseholders

Private Finance Initiative Allowances

5.11 As part of the PFI negotiations for the Brunswick scheme, the Council agreed to make a capital contribution totalling £24m between 2014/15 and 2019/20, which results in savings of approximately £48m over the life of the PFI contract through lower annual Unitary payments.

5.12 The three stock management PFI schemes will run at a surplus for 2017/18 as the income from rents and PFI credits is greater than the Unitary Charge payments. This budget proposes to continue to change PFI rents in line with the original rent policy.

5.13 "Smoothing" reserve funds had been established for all the PFI contracts, to smooth the costs over the duration of the PFI scheme. Following the introduction of self financing and the removal of the subsidy system, PFI rental income and grant can be used to fund the annual unitary charge, which removed the ongoing requirement to contribute towards a smoothing reserve. The current PFI reserve will continue to remain frozen as at 31 March 2016 and will be used to part fund the outstanding HRA debt.

Communal Heating

5.14 Work has been undertaken during the past year to review communal heating systems across the Council's stock and where improvements are required, it has been factored into the Capital Programme. The individual scheme charges have been reviewed in more detail and this has identified that whilst the overall cost of communal heating has reduced, the apportionment between those who pay as part of their weekly rent and those who use a prepayment meter needs to be adjusted. This has resulted in the need to increase the charge for those on prepayment meters and reduce the charge for those who pay through their rent

5.15 In order to ensure that the costs of gas used are recovered through the tariffs charged, it would be necessary to increase the charge for those that pay using prepayment cards by an average of 58.3%, and to reduce the charge for those that pay via rent by an average of 36.8%.

5.16 It is proposed that the full 36.8% reduction in charges for tenants paying via their rent is made from April 2017 and an increase for those that pay via prepayment cards is phased in at 10% from April 2017. The 10% increase is not sufficient to cover the costs of the gas used and will have a projected net cost to the HRA of £48k in 2017/18. Further increases in later years will be reviewed and considered as part of the planning for 2018/19 onwards.

5.17 There is planned capital investment to replace heating equipment which will help to reduce inefficiencies in the schemes. The costs of gas used against the tariffs charged will continue to be monitored to ensure that these are aligned.

Depreciation

5.18 Prior to the introduction of self financing in 2012/13, the depreciation charge was only a notional charge and as such there was no financial impact upon the HRA. Under self-financing the rules changed so that in order to reflect the reducing value of the HRA assets, a depreciation charge should be made to the HRA. Local Authorities were given a five year transition period to continue with existing practices. This was so that an affordable longer term solution to reflect the true costs of depreciation and impairment could be arrived at. 2016/17 was the final year of the transition period. The latest information is that DCLG proposes to amend the Determination with effect from 1st April 2017, to:

- Continue to allow impairment charges on dwelling assets to be reversed out of the HRA following the end of the transitional period.
- Extend the principle to non-dwelling assets in the HRA from 2017-18.
- To confirm that from 2017-18 depreciation should be charged to the HRA in accordance with proper practices (as a transfer to the Major Repairs Reserve where it can be used to fund capital or pay off debt).

It is anticipated that this change will be manageable within available resources for the foreseeable future.

Debt Financing and Borrowing Costs

5.19 The 2017/18 opening HRA debt is anticipated to be £121.26m, and due to the forecast level of reserves the debt will be funded through a combination of market loans and internal funding. This provides the benefit of reducing the costs of borrowing, but it is important that any future investment decisions need to be carefully considered if it is proposed to use any of the reserves.

5.20 Due to the reduced rental income over the next four years and based on existing capital spending plans, it is currently forecast that in 2023/24 the HRA will not be in a position to continue funding the debt in the same way. Unless savings are identified to mitigate the rent reductions there will be further increased costs of borrowings.

5.21 The HRA is making provision only for the interest repayments in relation to the outstanding debt. Consideration will need to be given to refinancing the debts as and when they become repayable.

Provision for Bad Debts

5.22 For the 2016/17 business plan, the level of contribution towards the provision for bad debts was forecast to be 2.0%, increasing by 0.5% a year to a maximum of 5% in 2022/23, to reflect the anticipated impact of the introduction of direct payments as part of welfare reform. It is still anticipated that the required level of provision will increase, but we have revised the figures to 1.5% for 2017/18, increasing by 0.5% per year to 4.5% by 2023-24, and then reducing by 0.5% per year before stabilising at 2% for the remainder of the plan. This is to reflect the expectation that the impact of welfare reform will be managed over a number of years.

5.23 The full implications of Welfare Reform will be kept under review as it is rolled out and the bad debt provision requirements adjusted accordingly.

Northwards Management Fee

5.24 As part of the 2016/17 fee discussions, Northwards advised that in order to maintain the existing level of service provision they would require a further increase of £300k (plus retain the £432k given as a one-off increase for 2015/16) to give a total fee of £21.474m. There was also a further payment of £365k for Intensive Housing Management and a Complex Families Keyworker. No agreement was made on the level of fee beyond 2016/17, but it was agreed that a fundamental review of how the City Council delivered its housing management services and the options that are open to it needed to be undertaken by the Council within 12 months with a view to a recommendation being brought back to Members.

5.25 The review highlighted areas where Northwards could improve as follows:

- A stronger strategic focus on value for money and service transformation to deliver cost savings.
- A reduction to the cost of planned maintenance and overheads which seemed comparatively high.
- Improvement to key performance areas i.e. timescales for re-letting properties, rent collection and arrears rates.

5.26 Northwards has identified savings to enable a reduced fee to be paid for 2017/18 and have committed to continuing to review services in order to make further savings going forward. The agreed savings include:

- Staffing savings in neighbourhood management following the creation of a new tenancy team
- Savings in the costs of running the customer call centre following its transfer from Mears
- Management of IT systems
- Management of IT and Finance service

In addition to these, there are anticipated savings from the reprocurement of the Repairs and Maintenance contract, which will be reflected in the management fee of £20.646m for 2017/18.

5.27 A further recommendation from the report is to agree the management fee for a three year period to enable Northwards to plan with more certainty in the levels of funding that will be available. The Council and Northwards will be working on this and aim to reach an agreement for 2018/19 and future years during the summer of 2017.

High Value Sales

5.28 The Government has not indicated what the level of payment due is likely to be at this stage therefore consistent with the HRA for the 2016/17 budget, a notional amount of £2m per annum (increasing by CPI) has been included in the business plan from 2018/19.

Other Expenditure

5.29 Details of other expenditure as shown in Appendix 1 is as follows:

- Retained stock maintenance and repairs – this covers repairs to offices, pruning of trees, and some lift maintenance
- Supervision and management – this covers the City Council costs of managing the HRA, including the cost of staff in Strategic Housing (HRA related), corporate, central and departmental recharges, and other costs.
- Other management arrangements – stock management fee to Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – due on properties held empty for demolition
- Insurance / compensation - compensation fees payable plus an annual contribution to the insurance reserve from which HRA claims are met
- Revenue Contribution to Capital Outlay – this is where funds held within the HRA are set aside to contribute towards the cost of capital works

These costs are currently under review as part of the ongoing budget strategy for the HRA.

Cost Pressures

5.30 Cost pressures are in line with the Council’s current assumptions in that pay and prices increase by 1% per annum. The majority of inflation in the business plan is linked to the CPI rate, which has used the Bank of England forecast for 2017/18 and 2% thereafter.

6. Garage Rents

6.1 For 2015/16 it was agreed that garage rents should be brought in line with dwelling rents in respect of the increases that had been applied. To achieve this, it was agreed that garage rents were to be increased by 3.92% on top of the increase applied to dwelling rents for the five year period 2015 – 2020, of which 2017/18 will be year 3. Therefore, it is proposed that garage rents increase by 2.92% in 2017/18, as shown below:

	Annual Charge 2016/17	**Weekly Charge 2016/17**	**Proposed Weekly Charge 2017/18**	**Proposed Weekly Increase**
Site Only	£88.40	£1.70	£1.75	£0.05
Prefabricated	£196.04	£3.77	£3.88	£0.11
Brick Built	£230.36	£4.43	£4.56	£0.13

7. Reserves Forecast

7.1 Current projections now show that due to the 1% rent reduction, the HRA will no longer generate annual surpluses over the duration of the business plan. Based on the current assumptions within the plan, the HRA continues to hold sufficient surpluses in its reserves to avoid paying an increased amount of interest for the next five years, but after that it incurs significant additional costs and moves into an unsustainable position in fifteen years' time.

7.2 The table below sets out details of the anticipated HRA reserves position, over the next three years if there are no additional investment proposals above the approved amounts included for RCCO and the contribution towards Brunswick capital costs. Given the low interest rates payable on balances, the HRA is currently using around £50m of its own reserves to internally fund part of the HRA debt rather than take out external borrowing. This provides annual interest savings of around £1.4m per annum. The continuation of this arrangement will need to be considered if any investment proposals are to be funded by the use of reserves.

Reserves Forecast 2016/17 to 2019/20

Reserve Description	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**
General Reserve	51,308	35,880	24,152	23,490
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Insurance Reserve	845	845	845	845
Major Repairs Reserve	1,166	1,015	75	38
Total Reserves	**87,319**	**71,740**	**59,072**	**58,373**

7.3 The significant reduction in general reserves in 2017/18 relates predominantly to the profiling of previously approved capital investment totalling £40m, and an anticipated use of a further £6.5m for the Collyhurst scheme. This is subject to the outcome of a funding submission to the Homes and Communities Agency and a further report will be brought back to Executive in Spring 2017 when the outcome of the bid is confirmed.

7.4 The Residual Liabilities Fund was established to cover any potential environmental and other risks associated with the large and small scale voluntary transfers that have taken place during the past 15 years. There is no reason to change the level of reserve from that recommended in an independent report previously commissioned, and therefore the fund balance will be held at £24m as at 31 March 2016.

8. Conclusions

8.1. The proposals contained in this report seek to ensure that the HRA business plan provides a sound basis of managing the existing stock, whilst also identifying the potential risks that need to be monitored on an ongoing basis.

8.2. The budget proposals will allow for continued service delivery and investment within the stock, within the confines of the available resources.

8.3. Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the HRA does not result in a deficit balance. The proposed budget for 2017/18, together with the indicative budget for the following two years, is attached at Appendix 1 and shows this provision being met (before proposed use of reserves to fund capital works).

8.4. Despite the reduction in rental income, the HRA is still budgeting for an annual surplus. These surpluses will be used to fund additional capital works until 2018/19, and ongoing contributions toward the capital costs of the Brunswick PFI scheme until 2019/20, which will lead to savings over the life of the PFI contract.

8.5. Based on forecasts, over the next three years the HRA can continue to fund existing debts, together with the ongoing management and maintenance costs whilst also maintaining a positive reserves position. The reserves provide longer term benefits to the HRA through debt financing, reducing the overall interest payable, contributing towards increased resources available for further investment in the longer term. The medium/longer term forecast position has been affected significantly by the reduction in rents, and will be further affected by the enforced sale of high value assets to fund the extension of Right to Buy to Housing Associations.

9. Key Polices and Considerations

(a) Equal Opportunities

The rents have been set in line with the Governments increased guideline rent, and the Housing Benefit system will provide support to the most needy within the constraints of the proposed welfare reform.

(b) Risk Management

Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the Housing Revenue Account does not result in a debit balance. The proposed change in rents and identification of savings within this report, together with regular budget monitoring will assist in managing this risk over the short term. Work will continue to ensure that the HRA remains viable in the longer term.

(c) Legal Considerations

The City Solicitor has reviewed this report and is satisfied that any legal considerations have been incorporated within the body of this report.

Appendix 1

Housing Revenue Account Budget 2016/17 – 2019/20

	2016/17 (Forecast) **£000**	**2017/18** **£000**	**2018/19** **£000**	**2019/20** **£000**	**See Para.**
Income					
Housing Rents	(62,050)	(60,950)	(60,482)	(61,283)	5.7
Heating Income	(1,335)	(1,020)	(1,043)	(1,066)	5.14
PFI Credit	(23,597)	(23,600)	(23,600)	(23,600)	5.11
Other Income	(1,544)	(1,292)	(1,093)	(1,057)	5.1
Funding from General HRA Reserve		(15,428)	(11,728)	(662)	7.2
Total Income	**(88,526)**	**(102,290)**	**(97,946)**	**(87,668)**	
Northwards R&M & Management Fee	21,839	20,646	20,813	21,063	5.24
PFI Contractor Payments	31,371	31,921	32,620	34,086	5.11
Communal Heating	1,267	1,069	1,092	1,116	5.14
Supervision and Management	5,711	5,354	5,354	5,417	5.29
Contribution to Bad Debts	750	922	1,220	1,545	5.22
Depreciation	13,037	13,286	13,617	13,960	5.18
Other Expenditure	1,403	1,299	1,264	1,416	5.29
RCCO	9,538	24,358	16,697	3,958	5.29
High Value Void Sales	0	0	2,000	2,044	5.28
Interest Payable and similar charges	3,467	3,434	3,269	3,063	5.19
Funding to General HRA Reserve	143				7.2
Total Expenditure	**88,526**	**102,290**	**97,946**	**87,668**	
General Reserve:					
Opening Balance	51,165	51,308	35,880	24,152	7.2
Funding (from)/to Revenue	143	(15,428)	(11,728)	(662)	
Closing Balance	**51,308**	**35,880**	**24,152**	**23,490**	

*Northwards fee for 2018/19 and 2019/20 not yet agreed, figures provided are for planning purposes only.

Manchester City Council
Report for Information

Report to: Executive – 8 February 2017
Resources and Governance Scrutiny - 20 February 2017

Subject: Schools Budget and Dedicated Schools Grant

Report of: Director of Education and Skills

Purpose of Report:

The Schools Budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the budget. Any under or over spend of grant from one year must be carried forward and applied to the Schools' Budget in future years. The Government provides the DSG to local authorities and each local authority distributes the grant to the local educational establishments based on the local funding formula.

This report provides a summary of the DSG settlement for 2017/18 and a breakdown of the Schools Block (5-16 year olds), Early Years Block and High Needs Block grant allocations.

The Department for Education (DfE) announced the second part of the National Funding Formula (NFF) consultation on the 14 December 2016, it plans to deliver a NFF from 2018/19. The consultation sets out the detail of the proposed formulae (e.g. the weightings of the factors to be included in the funding formula) and to illustrate the impact on schools. A consultation on the introduction of a high needs formula for children and young people with special educational needs (SEN) is running in parallel. The DfE announced the outcome of Early Years National Funding reform on the 1 December 2016.

The impact of the proposed reforms is significant on Manchester schools. This report highlights potential future funding risks to Manchester schools and the City Council for centrally retained DSG budgets.

Recommendations:

The recommendations below were approved by the Executive 11 January 2017 and the report is presented for reference as part of the suite of budget reports.

Final school budgets will be issued to schools by the end February 2017.

Executive has previously agreed to:

1. Note the anticipated level of Dedicated Schools Grant (DSG) funding in 2017/18;

2. Note the statutory requirement for the Council to distribute school budgets by the end of February 2017;

3. Note the proposed allocation of the Schools' Budget between the funding delegated to schools, known as the Individual Schools Budget (ISB), and the centrally retained schools budget (RSB);

4. Delegate the decision on the final allocation of the DSG to the Director of Education and Skills and the City Treasurer in consultation with the Executive Member for Children's Services and the Executive Member for Finance and Human Resources;

5. Delegate the decision on revisions to the Early Years funding formula to the Director of Education and Skills and the City Treasurer in consultation with the Executive Member for Children's Services and the Executive Member for Finance and Human Resources.

Wards affected: All

Our Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Supporting the Corporate Core in driving forward the growth agenda with a particular focus on integrated commissioning and delivery which will focus on utilising available resources effectively and developing a diversity of providers including entrepreneurs and social enterprises. This will provide opportunities for local jobs
A highly skilled city: world class and home grown talent sustaining the city's economic success	Integrated commissioning will focus on utilising available resources to connect local people to education and employment opportunities, promoting independence and reducing worklessness. Working with schools and further education providers to ensure children and young people achieve their potential and develop skills which will enable them to access future employment opportunities arising from economic growth in the city. Working with schools to engage and support our communities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The focus is on changing behaviours to promote independence, early intervention and prevention, the development of evidence-based interventions to inform new delivery models integration with partners where appropriate.
A liveable and low carbon city: a destination of choice to live, visit and work.	Development of integrated health and social care models that connect services and evidence-based interventions to local people and enable families and staff to influence

Our Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
	commissioning decisions aligned to locally identified needs. Schools as community hubs playing an essential role in delivering high quality education as well as reaching out to communities and leading early intervention and prevention approaches at a local level
A connected city: world class infrastructure and connectivity to drive growth	

Implications for:

Equal Opportunities
Yes

Risk Management
Yes

Legal Considerations
Yes

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report form part of the revenue budget submitted to the Executive on 8 February 2017.

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Glossary of Terms and Acronyms

Academies	Publicly funded independent schools that are outside of local authority control. Other freedoms include setting their own pay and conditions for staff, freedoms concerning the delivery of the curriculum, and the ability to change the length of their terms and school days.

De-delegation	Under the new school funding arrangements it is the Government's intention to achieve maximum delegation of funding to schools, meaning that only in exceptional circumstances should funding be held centrally by the LA for the provision of central education services. In addition, schools can agree to return funding delegated to them to provide some services centrally; this is termed de-delegation. De-delegation takes place after calculation of the formula but before the budget has been provided to the school. It has the effect of giving money back to the LA to provide for some services centrally.
Dedicated Schools Grant (DSG)	The ring-fenced specific grant paid by the Department to local authorities from April 2006 in support of the Schools Budget. The money has either to be delegated to schools or used for centrally managed provision for pupils. It can only be spent on other children's services with the approval of the schools forum and where an educational benefit can be justified.
Department for Education (DfE)	UK government department with responsibility for infant, primary and secondary education.
Education Funding Agency (EFA)	A new DfE executive agency that, from April 2012, will be responsible for capital and revenue funding for 3-19 education and training. The EFA will directly fund Academies, Free Schools, and 16-19 providers; it will fund local authorities for maintained primary and secondary schools; and it will be responsible for the distribution of capital funding and advice on capital projects.
Early Years Block	The new funding formula to be introduced in 2013/14 contains three funding blocks (Early Years, Schools and High Needs). The Early Years block will now fund all factors relating to 3 and 4 years olds in nurseries, PVIs and maintained schools. The funding consists of: • An hourly rate based on provider type • IDACI deprivation funding (by each child's postcode) • FSM eligibility • Mainstream grants (only applicable to Nurseries)
Education Services Grant (ESG)	The Education Services Grant (ESG) is paid to local authorities and academies and is intended to provide various education services. In 2016/17, Manchester City Council received an ESG allocation of £5m.
Growth Fund	The total increase in primary numbers requires additional DSG as temporary provision is required in order to build capacity in schools. On 28th June DfE announced that LAs can create a growth fund within centrally retained DSG. Any underspend needs to be allocated through the formula in the following financial year. Once the requirement for this growth fund has been determined it will need to be created by a reduction to the delegated element of the schools block.

Headroom	Amount of funding which remains after school budgets shares and centrally held DSG budgets have been allocated. In 2016/17 it is estimated that this budget will be £2.3m.
High Needs Block	The High Needs Block is the funding the Local authority (LA) will receive from the Education Funding Agency (EFA). It comprises of: • Special school budgets • Centrally funded LA provision for individual children • Special Educational Needs (SEN) Support Services • Support for Inclusion (outreach) • Independent school fees • Inter authority recoupment • Pupil referral units • Education out of school • Delegated allocations relating to individual children • Delegated allocations to special units and specialist resourced provision • All post 16 SEN expenditure, including provision for 16-25 year olds in Further Education colleges and independent providers that the Authority is currently not responsible for • High Needs expenditure on under 5's

1. INTRODUCTION

1.1 The Schools' Budget is funded by the Dedicated Schools Grant (DSG). It is a ring-fenced grant and may only be applied to meet costs that fall within the Council's Schools' Budget. It comprises of three blocks, namely schools, early years and high needs funding blocks. Any under or over spend of grant from one year must be carried forward and applied to the Schools' Budget in future years. The Government provides the DSG to local authorities and currently each local authority calculates the grant to schools based on the local funding formula.

1.2 This report sets out the 2017/18 DSG allocation. The DfE has also launched the second stage of the consultation on its proposed National Funding Formula to be implemented from 201/19. The consultation provides a breakdown of indicative gains and losses for each local authority in England, Manchester is in the top ten local authorities facing the largest reductions.

2. DEDICATED SCHOOLS GRANT 2017/18

2.1 DSG funding is allocated in two stages: first, the Government provides the grant to Councils, and then Councils calculate the distribution of the grant to schools and private, independent and voluntary early years establishments.

Manchester's Grant Allocation

2.2 In 2017/18 it is estimated Manchester will receive a DSG of £497.3m:

- Schools Block - £386.8m – £5,281 for each of the 73,243 compulsory school aged pupils in a mainstream school based on the October 2016 school census;

- Early Years Block - £30.6m for early learning and related services for children aged 3-4 and £9m for the provision of early learning for targeted 2 year olds. The early years allocations in December's settlement are provisional and will be updated based on January 2017 and January 2018 data; and

- High Needs Block - £70.9m for children and young learners with high level of needs.

2.3 Table one below shows the movement in the DSG between 2016/17 and 2017/18:

Table one – DSG Movements 2016/17 - 2017/18

Dedicated Schools Grant	**£m**
2016/17 DSG	472.4
Changes to LA Responsibilities	
High Needs transfer of place funding for places in colleges and post-16 providers.	1.7
Education Service General Grant Transfer to DSG	1.2
Demographic changes	
Schools block	13.2
High needs block	1.6
National Funding Reforms to Early Years	
Early Years full time entitlement for working parents from September 2017	3.2
Early Years – increase in Early Years rate	4.0
2017/18 Estimated DSG allocation	497.3

Changes to Local Authority Responsibilities

2.4 The 2017/18 grant includes a transfer of place funding for high needs places in further education colleges and post-16 charitable and commercial providers and the Education Services Grant (ESG) funds for retained duties. The ESG retained duties will enable the Local Authority to fulfil statutory duties that they retain for pupils in both maintained schools and academies, and to provide education services to maintained schools. Academies also receive ESG to provide the equivalent services for themselves. The DfE have confirmed a transfer of £1.2m ESG retained duties into DSG.

Demographic Changes

2.5 Manchester has been funded for an additional 2,537 pupils in primary and secondary schools, representing the increase in the school population between October 2016 and October 2017, the additional pupil led funding will mostly go out to schools in their individual budget shares.

2.6 The High Needs Block grant allocation is a lump sum and has been more static than the other blocks. The grant allocation for pupils with special educational needs (SEN), known as the High Needs Block, increased by £1.8m in 2014/15, £0.97m in 2015/16, £0.8m in 2016/17 in recognition of demographic changes in the 2 to 19 year old population. In 2017/18 Manchester has received an additional £1.6m of the £129.1m additional funding allocated nationally by the DfE. The High Needs Block adjustments do not adequately reflect Manchester's growth in pupil numbers.

National Funding Reforms to Early Years Block

2.7 The significant changes for 2017/18 relate to early years funding. The Government published a national review on the cost of providing childcare in November 2015, with the objective of implementing a new national funding formula for early years funding from April 2017. On the 1st December 2017 the DfE published the outcome to their recent consultation on Early Years funding.

In order to comply with the recently announced DfE requirements, the Council needs to review and consult early years providers on potential changes to the local early years (3 and 4 year olds) formula. The new formula has led to a £4m increase in early years funding for 3 and 4 year olds in Manchester for 2017/18.

2.8 Currently the national free early education entitlement is for children to receive 15 hours of free nursery education (in a school or other setting in the PVI sector) from the term after they turn three years of age. The Government will be introducing 30 hours of free early education and childcare to working parents from September 2017, in line with eligibility criteria. Manchester's allocation for the 15 hours above the current entitlement for the period 1 September 2017 to 31 March 2018 is £3.158m, based on DfE estimates of 1,138 three and four year olds of working parents being eligible. In Manchester the majority of maintained primary schools choose to provide full time nursery education places which are funded from the main school budget.

2.9 Alongside the publication of funding allocations for 2017/18, the DfE has also confirmed the outcome to their recent consultation on Early Years funding. In light of the Early Years funding reforms, the Council will need to revise the local early years funding formula. The Council funding consultation with its early years providers will end mid-January. In order to consult providers and set the early years formula in the required timescales, it is recommended the decisions on the final details of the local early years formula are delegated to the Director of Education and Skills and the City Treasurer in consultation with the Executive Member for Children's Services and the Executive Member for Finance and Human Resources.

Manchester's DSG Budget to Schools and other Education Providers

2.10 The DfE requires notification of individual school budgets for 2017/18 by the deadline of 20th January 2017. Final school budgets need to be issued to schools by the end of February 2017. Schools Forum will be provided with the Schools' Budget on 16th January 2017.

2.11 There are no plans to change Manchester's primary, secondary schools and special schools funding formulae next year. Individual school budget shares will be calculated and reflect updated school and pupil characteristics information, e.g. pupil numbers, prior attainments and levels of deprivation. The data required to update the formula was provided to the Local Authority on 19th December 2017. The Special school formula has also been updated to reflect the planned additional 85 places required across 4 special schools.

2.12 The Council needs to consult with early year's providers and schools during January 2017 on revisions to the local formula for 2017/18. The reforms will significantly impact on Manchester's two nursery schools; transitional arrangements are currently being developed.

2.13 The DSG is split across the Individual Schools Budget (ISB) which is delegated to schools via the agreed local formulae and the Retained Schools

Budget (RSB) which is managed by the Local Authority on behalf of schools. This consists of a range of services to schools and pupils. Most of the DSG is paid to schools and other education providers, such as private nurseries. Individual school budgets are calculated through a simplified formula which is now required to comply with strict national guidelines, and this formula applies to all primary and secondary schools regardless of whether they are maintained or academy schools.

2.14 Approximately £457.2m of the grant will be allocated out to schools and other providers and the balance will be retained by the Council. 44% of the £40.1m planned to be retained by the Council will be further allocated or spent on schools and other education providers during 2017/18.

2.15 Table two below sets out the breakdown of DSG blocks. The table provides a summary of the split between individual school budgets (ISB) and those budgets retained centrally by the Council (RSB) across each of the blocks in 2016/17 and 2017/18. Schools Forum made a number of decisions on the amount of DSG to be centrally retained by the Council in 2017/18 for specified purposes at their meeting on 19th December 2016.

Table two – Indicative Dedicated School Grant across blocks, school budgets and central services

	Schools £m	**Early Years £m**	**High Needs £m**	**Total £m**
Individual Schools Budget	362.4	30.0	42.3	434.7
Retained Schools Budget	10.0	2.4	25.3	37.7
Total 2016/17	**372.4**	**32.4**	**67.6**	**472.4**
DSG Provisional 2017/18	**386.8**	**39.6**	**70.9**	**497.3**
Retained Schools Budget	11.4	2.0	26.7	40.1
Balance available for Individual Schools Budget	375.4	37.6	44.2	457.2

2.16 The table above reflects the planned allocation of grant funding across the three blocks and funding for school budget shares after retained school budgets have been accounted for. In the 2016/17, after school formula budgets shares and the retained school budget had been determined, headroom of £1.8m remained in the Schools Block. Due to pressures in the High Needs Block it was agreed that £1.8m would transfer from the School Block to the High Needs Block. The transfer enabled the Council to address unfunded pressures in the High Needs Block, for example there has been a significant increase in the number of Statements/Education Health and Care plans in 2016/17.

2.17 Individual budget shares for 2017/18 are currently being calculated. Initial work indicates that it is highly likely that there will again be headroom in the School Block and budget pressures in the High Needs Block. Due to the need to finalise schools block by the 20th January, the Executive is requested to delegate decision on the allocation of headroom to the Director of Education and Skills and the City Treasurer in consultation with the Executive Member for Children's Services and the Executive Member for Finance and Human Resources.

3. National Funding Reforms to Schools and High Needs Block

3.1 From 2018/19 the DfE is planning to introduce a new National Funding Formula for schools. A consultation was launched on the 14th December which provides an illustrative impact of National Funding Formula on individual schools and councils. A consultation on the introduction of a High Needs formula for children with special educational needs (SEN) is running in parallel. Both consultations run until the 22 March 2017.

3.2 DfE has stated that the formula aims to address wide gaps in school funding between different geographical areas by using a new method to distribute cash. This is the second stage of the consultation. The first stage concluded in April 2016 and consulted on the principles that underpin the formula, the pupil characteristics and school factors to be included in the formula.

3.3 The reforms will impact on both the allocation from central government to local authorities and the local distribution formulae to education providers and local authority education services funded from the DSG. Overall 71% of local authority areas gain funding and 29% lose funding and the change will see 10,740 schools gain and 9,128 schools lose funding. Manchester has been ranked 7th as one of the most significant losers and losing the most outside of London as set out in the table below. This suggests that Manchester's long term funding is likely to be significantly below the protected floor and when transitional protection is removed, there will be a significant loss in funding.

Table three - Top Ten Losses

Council	% Change*	Rank
Hackney	-1.39%	1
Camden	-1.39%	2
Lambeth	-1.39%	3
Lewisham	-1.39%	4
Haringey	-1.38%	5
Newham	-1.36%	6
Manchester	-1.36%	7
Southwark	-1.36%	8
Tower Hamlets	-1.35%	9
Hammersmith and Fulham	-1.35%	10

* *rounded to two decimal places.*

3.4 Officers are working through the consultations and will be preparing a response in consultation with Schools Forum.

3.5 The National Audit Office has also recently reported that schools nationally are facing a 8% real terms funding reduction due to cost pressures arising from increases in pension contributions, national insurance contributions and introduction of the apprenticeship levy. Many schools have started to report budget pressures and combined with prospect of future funding reductions, it is a risk that there will be more schools unable to balance their budget.

3.6 The Consultation on funding reforms is a key development and has significant implications for schools in Manchester.

Manchester City Council
Report for Resolution

Report to: Resource and Governance Scrutiny Committee – 20 February 2017
Executive – 8 February 2017
Council – 3 March 2017

Subject: Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2017/18

Report of: City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2017/18 and Prudential Indicators for 2017/18 to 2019/20.

Recommendations

The Resource and Governance Scrutiny Committee is requested to:

1. Recommend the report to Council.

The Executive is requested to:

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

The Council is requested to:

1. Approve the proposed Treasury Management Strategy Statement, in particular the:
   - Treasury Indicators listed in Appendix A of this report
   - MRP Strategy outlined in Appendix B
   - Treasury Management Policy Statement at Appendix C
   - Treasury Management Scheme of Delegation at Appendix D
   - Borrowing Requirement listed in Section 5
   - Borrowing Strategy outlined in Section 8
   - Annual Investment Strategy detailed in Section 9
2. Delegate to the City Treasurer, in consultation with the Executive Member for Finance, the power to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

Wards Affected: Not Applicable

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Background documents (available for public inspection):

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

- Treasury Management Strategy Report framework provided by Capita Treasury Solutions (Treasury Advisors)

1. Introduction

1.1. Background

Treasury management is defined as:

'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

1.2. Statutory requirements

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

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as section 9 of this report); the Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department of Communities and Local Government (DCLG) issued revised investment guidance which came into effect from the 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009.

1.3. CIPFA requirements

The CIPFA Code of Practice on Treasury Management (Revised November 2009) was adopted by the Council on the 3 March 2010, having been approved by Executive on the 10 February 2010. The Code was revised in November 2011, acknowledging the effect the Localism Bill could have on local authority treasury management. This strategy has been prepared in accordance with the revised November 2011 Code.

The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;

b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;

c) Receipt by the full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year;

d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;

e) Delegation by the Council of the role of responsible body for treasury management strategy and practices, budget consideration and approval, monitoring and selection of external service providers to a specific named body. For this Council the delegated body is the Audit Committee.

f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Resource and Governance Scrutiny Committee.

1.4. **Treasury Management Strategy for 2017/18**

The suggested strategy for 2017/18 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, Capita Treasury Solutions.

The strategy covers:

Section 1: Introduction
Section 2: Treasury Limits and Prudential Indicators
Section 3: Impact of 2012 HRA reform
Section 4: Current Portfolio Position
Section 5: Borrowing Requirement
Section 6: Treasury Limits and Prudential Indicators for 2017/18 to 2019/20
Section 7: Prospects for Interest Rates
Section 8: Borrowing Strategy
Section 9: Annual Investment Strategy
Section 10: MRP Strategy
Section 11: Recommendations
Appendix A: Treasury Limits and Prudential Indicators for approval
Appendix B: MRP Strategy
Appendix C: Treasury Management Policy Statement
Appendix D: Treasury Management Scheme of Delegation
Appendix E: The Treasury Management Role of the Section 151 Officer
Appendix F: Economic Background - Capita Treasury Solutions
Appendix G: Prospects for Interest Rates
Appendix H: Glossary of Terms
Appendix I: Treasury Management Implications of HRA Reform

1.5. **Balanced Budget Requirement**

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

- increases in interest charges caused by increased borrowing to finance additional to capital expenditure; and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. Treasury Limits and Prudential Indicators

2.1. It is a statutory duty under Section 3 of the Act and supporting regulations that the Council determines and keeps under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England the Authorised Limit represents the legislative limit specified in the Act.

2.2. The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is acceptable.

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

2.4. The Authorised Limit is one of the Prudential and Treasury indicators recommended by the Code, which the Council operates for monitoring its treasury operations. The full set of indicators recommended by the Code and used by the Council is listed below. A note of the purpose of these indicators together with their suggested levels for 2017/18 can be found in Appendix A of this report.

2.5. The Prudential Indicators are:

- Authorised Limit – external debt
- Operational Boundary – external debt
- Actual external debt
- Upper limit for total principal sums invested for over 364 days
- Upper limit for fixed interest rate deposits
- Upper limit for variable interest rate deposits
- Maturity structure of fixed rate borrowing during the year
- Confirmation the Council has adopted the CIPFA Treasury Management Code

2.6 It should be noted that the Treasury limits and Prudential indicators noted in this report may be subject to change dependent on decisions taken on the Capital and Revenue budgets which will be reported to the Executive in February.

3. Impact of 2012 HRA reform

3.1. The Treasury Management Strategy for 2013/14 was the first to incorporate the split of the debt portfolio following the Housing Revenue Account (HRA) debt settlement of March 2012. Details of how the split was calculated and the corresponding effect on treasury management activities are at Appendix I.

3.2. It is important to note that the treasury position of the Council will continue to be monitored at a Council level, alongside the separate positions for the General Fund (GF) and the HRA. The HRA is also limited in terms of the treasury activity it can undertake, in so much as any temporary borrowing or investing it requires can only be engaged with the GF. Any long-term borrowing will be through the GF. This ensures that the overall Council position is managed as effectively and efficiently as possible.

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

4. Current Portfolio Position

4.1. The Council's forecast treasury portfolio position at 31 March 2017 is:

Table 1		**Principal**			**Av Rate**
		GF £'000	HRA £'000	**Total £'000**	%
Fixed rate funding	PWLB	0	0	**0**	0.00
	Market	235,037	43,213	**278,250**	4.90
	Stock	8,083	0	**8,083**	3.37
		243,120	43,213	**286,333**	4.86
Variable rate funding	PWLB	0	0	**0**	0.00
	Market	152,016	27,949	**179,965**	4.76
		152,016	27,949	**179,965**	4.76
Government debt (HCA/HIF)		69,464	0	**69,464**	0.00
Gross debt		**464,600**	**71,162**	535,762	4.19
External Investments		(133,441)	0	**(113,441)**	0.22
Internal balances (GF/HRA)		41,384	(41,384)	**0**	0.00
Net debt		**372,543**	**29,778**	**403,321**	
Capital Financing Requirement				**1,228,522**	
Gross Debt				**535,762**	
Internal Borrowing				**692,760**	

4.2. The capital financing requirement of the City Council excluding credit arrangements, as at 31 March 2017 is forecast to be c. £1,228.5m. The difference between this and the actual gross debt of the Council, as shown above, is c. £692.8m, which is the amount of funding that the Council has internally borrowed. This is a reflection of the treasury strategy that the Council has pursued, as internal cash has been utilised to reduce the amount of borrowing required rather than being held as investments. In the current interest rate environment, where the rate of interest on investments is significantly lower than that on borrowing and there are substantial counterparty risks, this has been a prudent approach and has provided value for money for the Council.

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

4.4. The portfolio at 31 March 2017 includes Council stock with a forecast value of £8.1m. This debt will fall by £5.1m during 2017/18 following redemption action taken by the Council. There is a possibility that the remaining £3m of stock debt, or part of it, may also be redeemed during the year. The class of stock associated with this component of debt has irredeemable status and therefore the option to redeem lies with the holder rather than the Council. Further detail on the stock redemption exercise is noted in paragraph 8.25 of this report.

4.5. The portfolio shown above, and the borrowing requirements shown at paragraph 5.1, contain funding for capital investment which the City Council is undertaking on behalf of Greater Manchester. With the wider powers of the Greater Manchester Combined Authority (GMCA) expected to be in place in the early part of 2017/18, it may be that this investment and associated funding can be transferred to the GMCA if the Government confers wider borrowing powers on the Authority. If this is the case, it will materially impact on the Council's existing and forecast debt portfolio and borrowing requirements, and therefore a revised Treasury Management Strategy Statement will be submitted to members with revised prudential indicators.

5. Borrowing Requirement

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

Table 2	2017/18	2018/19	2019/20
	£'000 estimate	**£'000 estimate**	**£'000 estimate**
Planned Capital Expenditure funded by Borrowing	302,793	287,254	109,907
Change in Grants & Contributions	8,927	-4,497	-3,064
Change in Capital Receipts	-20,170	12,620	15,050
Change in Reserves	7,243	2,636	7,703
MRP Provision	-17,374	-23,913	-30,762
Refinancing of maturing debt (GF)	8,447	40,546	-
Refinancing of maturing debt (HRA)	1,553	7,454	-
Movement in Working Capital	109,375	-	-
Estimated Borrowing Requirement	**400,794**	**322,100**	**98,834**
Funded by:			
GF	294,241	192,989	98,834
HRA	1,553	7,454	-
HCA/HIF	105,000	121,657	-
	400,794	**322,100**	**98,834**

5.1. The borrowing detailed in Table 2 maintains the Council within its previously agreed Government debt deal limit.

6. Prudential and Treasury Indicators for 2017/18 to 2019/20

6.1. Prudential and Treasury Indicators (as set out in Appendix A to this report) are relevant for the purposes of setting an integrated treasury management strategy.

6.2. The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on the 8 October 2003 by the full Council, and the revised 2009 code was adopted on the 3 March 2010. This strategy has been prepared under the revised code of November 2011, which was adopted in February 2012.

7. Prospects for Interest Rates

7.1 The Council has appointed Capita Treasury Solutions as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.
Appendix G draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following gives the Capita's central view:

Capita Treasury Solutions Bank Rate forecast for financial year ends (March)

- 2017: 0.25%
- 2018: 0.25%

- 2019: 0.25%
- 2020: 0.75%

7.2 There is no certainty to these forecasts. In an attempt to stimulate the economy the Bank of England in August 2016 reduced Base Rate to 0.25%, the first change since 2009. If economic growth begins to slow or weaken more than currently expected it is likely rates will remain lower for longer. Conversely, if growth is stronger than expected the Bank Rate may increase sooner than forecast. A detailed view of the current economic background prepared by Capita is at Appendix F to this report.

8. Borrowing Strategy

General Fund

8.1. The proposed Capital Budget, submitted to Executive in February and Council in March, contains significant capital investment across the city. The scale of the investment is such that it is highly likely that the Council will need to undertake external borrowing in the immediate future, and will not be able on to rely on internal borrowing alone. However, where possible, internal borrowing will be the first option due to the interest savings generated.

8.2. The Council's borrowing strategy should utilise the annual provision it is required to make to reduce debt, in the form of its Minimum Revenue Provision (MRP). The most efficient arrangement is for the Council's existing long term debt to be matched to MRP. As in the past, if the Council continued to use long term borrowing whilst having a need to borrow in the short term MRP would accumulate. This is because there would be no opportunity to use MRP to repay debt other than at considerable cost.

8.2 In previous years this has not been an issue as the Council has had significant borrowing requirements year on year which have allowed it to use the MRP to reduce the borrowing required. However, the borrowing requirement may well be expected to fall in the long term and therefore, a prudent strategy is to seek to borrow in the medium term, with maturities to match the estimated MRP that is generated in that period. This avoids an accumulation of cash on the Balance Sheet that would need to be invested (at a net cost and investment risk to the Council).

8.3 The overall aim of the borrowing strategy is to rebalance the portfolio by introducing more medium term debt when there is a borrowing requirement, whilst seeking to continue to utilise the Council's significant level of reserves and provisions by internally borrowing when possible.

HRA

8.4 The current business plan for the HRA suggests a borrowing requirement of £1.553m in 2017/18.

8.5 However, in the event that some of the current debt is required to be repaid, perhaps through a bank calling one of the LOBO loans, it would be the aim of the HRA to rebalance the portfolio by introducing more medium term debt whilst also seeking to use any reserves or provisions by internally borrowing.

Internal cash balances will be utilised before any borrowing is undertaken.

8.6 Should the HRA require temporary borrowing, this will be sought from the General Fund. This is discussed further in Appendix I.

Borrowing Options

8.7 The Council's borrowing strategy will firstly utilise internal borrowing. Forgoing investment income at historically low rates provides the cheapest option. However
as the overall forecast is for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs. Rates are expected to be higher in future years for longer term loans.

8.8 After this, new borrowing will be considered in the forms noted below. At the time of the borrowing requirement the options will be evaluated alongside their availability and an assessment made regarding which option will provide value for money. The options described below are not presented in a hierarchical order. At the point of seeking to arrange borrowing all options will be reviewed.

i Public Works Loan Board (PWLB)

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

In the March 2012 Budget, the Chancellor announced the availability of a PWLB 'Certainty Rate' for local authorities, which could be accessed upon the submission of data around borrowing plans for individual authorities. The Council submitted their return in April 2015. The Certainty Rate allows a local authority to borrow from the PWLB at 0.20% below their published rates. The Government are also currently consulting with local authorities regarding the potential introduction of a PWLB Infrastructure Rate which will could be at 0.4% lower than standard PWLB rates.

These reductions, alongside the flexibility the PWLB provides in terms of loan structures and maturity dates, together with the current lack of availability of market debt options, suggests that should long term borrowing be required, PWLB borrowing might provide the best value for money.

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

Table 3	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18	Mar 19	Mar 20
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.75%
5 yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.80%	2.00%
10 yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.70%
25 yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.20%	3.40%
50 yr PWLB rate	2.70%	2.70%	2.70%	2.80%	2.80%	3.00%	3.20%

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

ii European Investment Bank (EIB)

Rates can be forward fixed for borrowing from the EIB and this will be considered if the arrangement represents better value for money. The Council has agreed a £100m facility with the EIB which will form part of the Council's future overall borrowing strategy. There has not been any advice from the EIB that post Brexit these arrangements will change.

The EIB's rates for borrowing are generally favourable compared to PWLB, allowing for existing planned future borrowing from PWLB to be replaced by cheaper funding from the EIB. The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.

iii Third Party Loans

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

iv Housing Investment Funding and the Homes and Communities Agency

Both HIF and HCA are DCLG funding, see paragraphs 8.11-15 for further details.

v Market Loans including inter-Local Authority advances
Both short and long term loans are often available in the inter Local Authority market in addition to offers from the general market.

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

8.10 Further to this, following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs, and the Authority needs to consider diversifying its loan book to reduce the impact of any volatility that may cause these loans to be called. It should be noted, however, that the Council's current LOBO loans are unlikely to be called in the medium term at current interest rates.

Homes and Communities Agency Funding

8.11 The Homes and Communities Agency (HCA) has made £23m funding available
to the City Council and this was received in 2015/16 and 2016/17 The funding is, in effect, a 'loan' of the HCA's receipts from the disposal of its land and property within Greater Manchester (GM), as agreed in the GM City Deal. The funds can be used to invest in any project which supports GM City Deal objectives. Some of the funds will be passed on to other GM authorities for projects within their areas.

8.12 The funding from the HCA is held as an interest free loan, until such time as an investment approval is made. At this point, the approved element of the loan becomes risk-based, with the return to the HCA based on the performance of that investment. The funds are to be used for projects within Greater Manchester; the location depends on where the receipts originate from, and whether the receipt is due to the sale of residential or commercial property. Proceeds from commercial property will not be borough-specific, whereas proceeds from residential property will be.

8.13 The funds received are to be repaid to the HCA in March 2022. No interest will be charged to MCC for the receipt of the funds, however, should an investment made with HCA funds not be recovered, the loss is deducted from the amount due to HCA. Conversely, should any profit be made by an investment these will be added to the amount due to the HCA.

Housing Investment Funding (HIF)

8.14 The Council has arranged with the Homes and Communities Agency to receive housing investment funding on behalf of Greater Manchester. The funds will be treated as a loan to the Council in a similar manner to HCA funds as detailed in paragraphs 8.11-13. These monies will then be invested in housing related projects with any losses met by Government (up to 20%) or by guarantee from the ten Greater Manchester authorities (including Manchester).

8.15 Total HIF funding of £300m has been agreed the Department for Communities and Local Government (DCLG), of which £98.3m has been received to date. DCLG require any HIF receipts that are not utilised by the financial year end to be returned on the 31st March. The return of these funds does not mean that the HIF financing is lost as it can be called down again starting in 2017/18, and it is consequently anticipated the Council will receive £105m in 2017/18, £122m in 2018/19 as shown in Table 2 at paragraph 5.1.

Sensitivity of the forecast

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

- ***If it were felt that there was a significant risk of a sharp FALL in long and short term rates***, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed.
- ***If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that current forecast***, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, the portfolio position will be re-appraised. The likely action will be that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

External v. Internal borrowing

8.17 There is currently a difference of around £133m between the Council's General Fund gross debt and net debt, i.e. the gross debt after deducting cash balances. The current borrowing position reflects the historic strong Balance Sheet of the Council, as highlighted in Section 4. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The policy remains to keep cash as low as possible and minimise temporary investments.

8.18 The next financial year is again expected to be one of very low Bank Rate. This provides a continuation of the window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.

8.19 Over the next three years, investment rates are expected to be significantly below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by limiting new external borrowing and by using internal cash balances to finance new capital expenditure, or to replace maturing external debt. This is referred to as internal borrowing and maximises short term savings.

8.20 However, short term savings from avoiding new long term external borrowing in 2017/18 will also be weighed against the potential for incurring additional long term extra costs by delaying new external borrowing until later years when longer term rates are forecast to be significantly higher. Consideration will also be given to forward fixing rates whilst rates are favourable.

8.21 Against this background caution will be adopted within 2017/18 treasury operations. The City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

8.22 Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds. In determining whether borrowing is undertaken in advance of need the Council will:

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

Debt rescheduling

8.23 It is likely that opportunities to reschedule debt in the 2017/18 financial year will be limited, particularly as the Council no longer holds any PWLB loans. This leaves the possibility of rescheduling other funding sources, such as market loans, but it should be stressed that the likelihood of any rescheduling remains very remote.

8.24 An exception to this is that the required 12 month's notice will be given to stockholders before the close of the 2016/17 financial year of the Council's intention to redeem the stock it issued between 1874 and 1891. This will result in a £5.1m reduction in long term debt by the end of 2017/18. The reduction might be realised in a staged manner before the 2017/18 year end as the Council's redemption offer will allow stockholders the opportunity to redeem their stock before the end of the 12 month notice period if they wish to do so. There is also £3m of long term debt relating to irredeemable stock. Before the close of the 2016/17 financial year the Council will make a further redemption offer to the holders of this stock. The offer will be open to the end of the 2017/18 financial year, however take up is at the discretion of the stockholder.

8.25 As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of the premiums incurred, their short term nature, and the likely cost of refinancing those short term loans once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

8.26 The debt portfolio of the Council following HRA reform consists mainly of LOBOs, and the premia associated with rescheduling these make it unlikely that it will provide a cost effective rescheduling opportunity. This is because the premia will not only relate to the future interest payments associated with the loan, but also because the Council would need to compensate the lender for the buy-back of the interest rate options the loan has embedded in it.

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

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined in section 8 above;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility)

8.28 Any restructuring of LOBOs will only be progressed if it provides value for money for the Council, and reduces the overall treasury risk the Council faces, for example interest rate risk or credit risk. Members are requested to delegate authority to the City Treasurer, in consultation with the Executive Member for Finance to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to Members at the earliest opportunity.

8.29 Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely. It is likely short term rates on investments will be lower than rates paid on current debt.

8.30 All rescheduling will be reported to the Executive, as part of the normal treasury management activity reports.

9. Annual Investment Strategy

General Fund

Introduction

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

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

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

9.3 The borrowing of monies by an Authority purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

9.4 These principles would be important in normal circumstances, however the Icelandic banks crisis, and the financial difficulties faced by UK and international banks that followed, have placed security of investments at the forefront of Treasury Management investment policy.

Changes to Credit Rating Methodology

9.5 Through much of the financial crisis the main rating agencies (Fitch, Moody's and Standard & Poor's) provided some institutions with a ratings 'uplift' due to implied levels of sovereign support (government backing should an institution fail).
In response to the evolving regulatory regime and the declining probability of government support, the rating agencies are removing these 'uplifts'. The result of this is that some institutions ratings have been downgraded by up to two notches.

9.6 The rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis. The removal of sovereign support is taking place now that the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis. As a result of these rating agency changes, the credit element of Capita's future methodology focuses solely on the short and long term ratings of an institution, and officers believe that the Council should follow the same methodology.

9.7 The key change to the regulatory framework in respect of banks is the introduction of the European Union's Banking Recovery and Resolution Directive (BRRD).
In response to the banking crisis some governments used taxpayer funds to support banks in danger of failing. In future BRRD will require 'bail-in' to be applied in such a scenario. In the UK this will mean that after shareholders' equity, depositors' funds comprising balances over c£85k (linked to the value of the Euro) will be used to support a bank at risk. The £85k threshold is not available to local authorities and therefore all their bank deposits will be at risk of bail-in. This increases the risk to the Council of holding unsecured cash deposits with banks and building societies.

Investment Policy

9.8 As previously, the Council will not just utilise ratings as the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps'[1] and overlay that information on top of the credit ratings.

[1] A credit default swap is a financial instrument that effectively provides the holder insurance against a loan defaulting. The CDS spread is the difference between the price at which providers are willing to sell the swap, and

9.9 Investment in banks and building societies are now exposed to bail-in risk as described above and rather than increase investment in banks and building societies in practice lower limits for investment in banks and building societies have been adopted in 2016/17. This is apart from the limit with Barclays bank; Barclays is the Council's main banker and is the investment destination of last resort for the close of daily trading. These revised limits are interim operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2016/17 will be maintained in 2017/18.

9.10 The investment constraint brought by bail-in risk means the Council needs to continue to identify ways that it can broaden and diversify its basis for lending. During 2016/17 after the reduced level of bank deposits, the strategy saw a significant proportion of the Council's investments placed with the Government (via the DMO) or with other Local Authorities. In the financial year 2016/17 to December 2016 an average of
c. 88% of the investment portfolio was with the DMO and other Local Authorities. This highlights the relatively low credit risk that the Council takes when investing.

9.11 For 2017/18 investment the Council will consider trading in Money Market Funds, Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification of the investment portfolio each of these options offer the Council benefits which are noted in paragraphs 9.25 to 9.32 below. Treasury Bills, Certificates of Deposit and Covered Bonds require the Council to have specific custodian and broker facilities. This provision has been opened in 2016/17, however work is continuing to open further access points to markets. Officers are also working to ensure they are in a position to monitor these new markets to identify opportunities for benefit.

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

HRA

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

Specified and Non-Specified Investments

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

9.15 Specified investments are sterling denominated, with maturities up to a maximum of one year and meet the minimum 'high' rating criteria where

the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.

applicable. Further details about some of the specified investments below can be found in later paragraphs within Section 9.

Table 4	Minimum 'High' Credit Criteria	Use
Term deposits – banks and building societies*	See Para 9.9.	In-house
Term deposits – other Local Authorities	High security. Only one or two local authorities credit-rated	In-house
Debt Management Agency Deposit Facility	UK Government backed	In-house
Certificates of deposit issued by banks and building societies covered by UK Government guarantees	UK Government explicit guarantee	In-house
Money Market Funds (MMFs)	AAA_M	In-house
Non-UK Banks/ Building Societies	Domiciled in a country which has a minimum sovereign Long Term rating of AAA	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

* Banks & Building Societies

The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 9.21 below. If this limit is breached, for example due to significant late receipts, the Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held within the Council's bank accounts, including the general bank account.

Creditworthiness policy

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

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

9.17 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. This classification is called durational banding.

9.18 The Council has regard to Capita's approach to assessing creditworthiness when selecting counterparties. It will not apply the approach of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Capita creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

9.19 In summary therefore the Council will approach assessment of creditworthiness by using the Capita counterparty list as a starting point, and then applying as an overlay its own counterparty limits and durations. All credit ratings will be monitored on a daily basis and re-assessed weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of Credit Ratings, the Council will be advised of information in Credit Default Swap against the iTraxx benchmark[2] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

9.20 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support. The Council will assess investments only against the criteria listed above, and will not seek to evaluate an organisation's ethical policies when making these assessments.

Investment Limits

9.21 As advised by Capita Asset Services, the Council's treasury advisors, the financial investment limits of banks and building societies are linked to their short and long-term ratings (Fitch or equivalent) as follows:

Banks & Building Societies

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

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

UK Government (includes Debt Management Office) £200 million

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

Greater Manchester Combined Authority	£200 million
Other Local Authorities	£20 million

9.22 It may be prudent, depending on circumstances, to temporarily increase the limits shown above as in the current economic environment, it is increasingly difficult for officers to place funds. If this is the case officers will seek approval from the City Treasurer for such an increase and approval may be granted at the City Treasurer's discretion. Any increase in the limits will be reported to Members as part of the normal treasury management reporting process. It should be noted that any HCA funds invested with other local authorities will form part of the £20m limit detailed above.

Country Limits

9.23 The Council has determined that it will only use approved counterparties from countries that meet the Council's criteria based on the creditworthiness policy described in paragraph 9.21. The list of countries that qualify using this credit criteria as at 4th January 2017 are shown below:

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- USA

9.24 Every country on this list is rated AAA by two or more of the three main rating agencies. This list will be added to, or deducted from should ratings change. The Council will only invest outside the UK with institutions of the highest credit rating AAA, who are therefore higher rated and less risky to utilise than the UK.

Money Market Funds

9.25 The removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis has impact on bank and building society ratings across the world. Rating downgrades can limit the number of counterparties available to the Council. To provide flexibility for the investment of surplus funds the Council will use Money Market Funds when appropriate as an alternative specified investment.

9.26 Money Market funds are investment instruments that invest in a variety of institutions, therefore diversifying the investment risk. The funds are managed by a fund manager and they have objectives to preserve capital, provide daily liquidity and a competitive yield. The majority of money market funds invest both inside and outside the UK.

9.27 Money Market funds are rated through a separate process to bank deposits. This looks at the average maturity of the underlying investments in the fund as well as the credit quality of those investments. It is proposed that the Council will only use Money Market Funds where the institutions hold the highest AAA credit rating. Furthermore where the Money Market Funds invest outside the UK the countries concerned must be on the list of approved counterparties noted in paragraph 9.23 above.

Treasury Bills

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

9.29 Weekly tenders are held for Treasury Bills so the Council could invest funds on a regular basis, based on projected cash flow information. This would provide a spread of maturity dates and reduce the volume of investments maturing at the same time.

9.30 There is a large secondary market for Treasury Bills so it is possible to trade them in earlier than the maturity date if required; and also purchase them in the secondary market. It is anticipated however that in the majority of cases the Council will hold to maturity to avoid any potential capital loss from selling before maturity. The Council will only sell the Treasury Bills early if it can demonstrate value for money in doing so.

Certificates of Deposit

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

Covered Bonds

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

Liquidity

9.33 Based on cash flow forecasts, the level of cash balances in 2017/18 is estimated to range between £0m and £230m. The higher level can arise where for instance large Government grants are received, or long term borrowing has recently been undertaken.

Investment Strategy to be followed in-house

9.34 Capita's view of forecast Bank Rate is at Section 7. The current economic outlook viewed by Capita is that the structure of market interest rates and government debt yields have several key treasury management implications:

- The Bank of England interpreted confidence indicators following the referendum vote for Brexit as anticipating a sharp slowdown in the UK economy. In 2016 the Monetary Policy Committee attempted to counter this expectation with a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals;

- Capita's view is that Bank Rate will remain unchanged at 0.25% until a first increase to 0.50% in quarter 2, 2019 with a rise to 0.75% by March 2020. Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in August 2016, with huge volatility during 2016 as a whole. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling;

- Forecasting as far ahead as 2019 is difficult as there are many potential economic factors which could impact on the UK economy. There are also political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on forecasts;

- Investment returns are likely to remain relatively low during 2017/18 and beyond;

- In the Eurozone, the ECB commenced, in March 2015, its €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017;

- These measures have struggled to make a significant impact in boosting Eurozone economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Forward indications are that economic growth in the EU is likely to continue at moderate levels.
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

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

9.36 For 2017/18 it is suggested that the Council should budget for an investment return of 0.25% on investments placed during the financial year. For cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

End of year Investment Report

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

Policy on the use of External Service Providers

9.39 The Council uses Capita Treasury Management Solutions as external treasury management advisors and has access to another provider who is an approved supplier should a second opinion or additional work be required. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

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

Scheme of delegation

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

Role of the Section 151 Officer

9.42 Appendix E notes the definition of the role of the City Treasurer in relation to treasury management.

10. Minimum Revenue Provision (MRP) Strategy

10.1 Appendix B contains the Council's policy for spreading capital expenditure charges to revenue through the annual MRP charge. The revised policy for 2016/17 was
approved by the Audit Committee on 1 December 2016.

11. Recommendations

11.1 Please see page 1 of the report for the list of recommendations.

Appendix A

Treasury Limits and Prudential Indicators for approval

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2017-18		2018-19		2019-20
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,555.4	(1,245.0)	1,595.7	(1,245.0)	1,814.1
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,771.4	(1,461.0)	1,811.7	(1,461.0)	2,030.1
Operational Boundary - external debt					
borrowing	1,159.8	(1,096.2)	1,412.9	(1,187.4)	1,541.6
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,375.8	(1,312.2)	1,628.9	(1,403.4)	1,757.6
Actual external debt	936.6	(954.9)	1,258.7	(1,074.2)	1,357.5
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Upper limit for fixed interest rate exposure Net borrowing at fixed rates as a % of total net borrowing	96%	(100%)	100%	(100%)	100%
Upper limit for variable interest rate exposure Net borrowing at variable rates as a % of total net borrowing	92%	(95%)	97%	(100%)	100%

Maturity structure of new fixed rate borrowing during 2017-18	Upper Limit		Lower limit	
under 12 months	70%	(70%)	0%	(0%)
12 months and within 24 months	1000%	(100%)	0%	(0%)
24 months and within 5 years	80%	(90%)	0%	(0%)
5 years and within 10 years	70%	(70%)	0%	(0%)
10 years and above	70%	(70%)	0%	(0%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 20017/18. They will also be included in the Council's Global Revenue Budget monitoring.

Definitions and Purpose of the Treasury Management noted in the table above

(Indicators are as recommended by the CIPFA Prudential Code)

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario. Risk analysis and risk management strategies should be taken into account.

The Operational Boundary should equate to the maximum level of external debt projected by this estimate. Thus, the Operational Boundary links directly to the authority's plans for capital expenditure; its estimates of capital financing requirement; and its estimate of cash flow requirements for the year for all purposes. The Operational Boundary is a key management tool for in-year monitoring.

It will probably not be significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation and action as appropriate. Thus, both the Operational Boundary and the Authorised Limit will be based on the authority's plans. The authority will need to assure itself that these plans are affordable and prudent. The Authorised Limit will in addition need to provide headroom over and above the Operational Boundary sufficient for example for unusual cash movements.

Actual external debt

After the year end, the closing balance for actual gross borrowing plus (separately), other long-term liabilities is obtained directly from the local authority's Balance Sheet.

The prudential indicator for Actual External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual debt during the year can be compared.

Upper limit for total principal sums invested for over 364 days

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

Upper limit for fixed interest rate exposure

The authority will set for the forthcoming financial year and the following two financial years upper limits to its exposures to the effects of changes in interest rates. These indicators will relate to both fixed and variable interest rates. They may relate to either the authority's net interest on, or to its net principal sum outstanding on its borrowing/investments.

Upper limit for variable interest rate exposure

This indicator is as described and calculated above for Fixed Interest Rate Exposures, but substitutes 'variable rates' for 'fixed rates'.

Maturity structure of new fixed rate borrowing

The authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. These indicators are referred to as the Upper and Lower limits respectively for the Maturity Structure of Borrowing.

Has the Authority adopted the CIPFA Treasury Management Code?

This prudential indicator in respect of treasury management is to confirm that the local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, and a recognition of the preexisting structure of the authority's borrowing and investment portfolios.

Appendix B

Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2016/17 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).

DCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

- ***Option 1:*** Regulatory Method – can only be applied to capital expenditure incurred prior to April 2008 or Supported Capital Expenditure. This is calculated as 4% of the non-housing CFR at the end of the preceding financial year, less some transitional factors relating to the movement to the new Prudential Code in 2003.

- ***Option 2:*** CFR Method – a provision equal to 4% of the non-housing CFR at the end of the preceding financial year.

- ***Option 3:*** Asset Life Method – MRP is calculated based on the life of the asset, on either an equal instalment or an annuity basis.

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be taken into account in the calculation of revenue grant due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of .c 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of RSG the Council receives has reduced in recent years, it is prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It is therefore proposed to make a provision of 2% of the non-housing CFR from the end of the preceding financial year. This is in line with many over local authorities who have reviewed the basis for their MRP or something similar.

There will be no adjustment to MRP charged before 2016/17.

The Council approved the following MRP Statement in January 2017:
It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with DCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:

- Asset Life Method – MRP will be based on a straight line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

- If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.

Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council’s balance sheet. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the balance sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the balance sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

Appendix C

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

Appendix D

Treasury Management Scheme of Delegation

i **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny** - Resource and Governance Scrutiny

Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **City Treasurer**

- delivery of the function

Appendix E

The treasury management role of the Section 151 Officer

The S151 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

Appendix F

Economic Background as at January 2017 – Capita Treasury Solutions Limited

UK. GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The Monetary Policy Committee, (MPC), meeting of 4th August was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The MPC meeting of 3 November left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that Bank Rate could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2, 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3, i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, consumers have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to promote growth; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority.

The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools.

The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative Cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on
23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is inflation where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the Dollar, and 8% down against the Euro (as at the MPC meeting date – 15.12.16).

This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that consumer disposable income will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. House prices have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth.

The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%.

Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. Therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the presidential election in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the bond market and bond yields rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office.

However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a major shift in investor sentiment away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015

meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach
-0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn.

These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.

It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ:

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.

- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.

- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.

- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in.
  A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%.

  These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.

- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an
  EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.

- **French presidential election;** first round 13 April; second round 7 May 2017.

- **French National Assembly election June 2017.**

- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.

- The core EU, (note, not just the Eurozone currency area), principle of free movement of people within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

<u>Asia.</u> Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated.

This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

<u>Emerging countries.</u> There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets.

While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the Dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017,
a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

<u>Brexit timetable and process</u>

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50.

- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members, view - not that likely.

- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.

- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.

- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.

- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.

- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

Appendix G

Prospects for Interest Rates

The data below shows a variety of forecasts published by a number of institutions. They include those of Capita and Capital Economics (an independent forecasting consultancy). The forecast within this strategy statement has been drawn from these diverse sources and officers' own views. Please Note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%

50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

Appendix H

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate - the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

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

Covered Bonds - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer's balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

Credit Rating - A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount - Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon - High/Low interest rate

LIBID (London Interbank Bid Rate) - This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) - This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) - This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market -The private sector institutions **-** Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee - the independent body that determines Bank Rate.

Money Market Funds - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium - Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

Specified Investments - Sterling investments of not more then one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

Appendix I

Treasury Management Implications of HRA Reform

As discussed in Section 3 of the report, the reform of the HRA finance system has consequences for the treasury management of the Council. As part of the reform, the HRA's debt portfolio needs to be separately identifiable to that of the General Fund, and the HRA will hold some autonomy over the management of its debt portfolio. However, in order to ensure that the treasury management function of the Council remains effective and provides value for money, and given that the Section 151 officer for both the General Fund and the HRA is the Treasurer, the HRA's treasury portfolio must be run in the context of the overall Council portfolio.

This appendix seeks to explain how the debt portfolio of the Council has been split between the General Fund and the HRA, and how the HRA treasury position will be managed going forward.

The Portfolio Split

One of the principles behind the reform of HRA finance was to provide some level of treasury autonomy for the HRA, separating its debt from the Council's so that its treasury position could be managed separately. To achieve this, the debt portfolio was to be split at the point that the debt settlement was made.

On the 28 March 2012, the Council received c. £294m which was to be used to reduce the debt held by the Council. The table below shows the Council's treasury portfolio before and after the settlement:

	Pre reform		Post reform
	£'000		*£'000*
PWLB	199,966		0
Market	549,640		480,215
Stock	8,159		8,159
Gross Debt	**757,765**		**488,374**
Deposits	-17,954		-42,839
Net Debt	**739,811**		**445,535**

At this point, the debt was to be split according to the relative capital financing requirements (CFRs) of both the General Fund and the HRA. The cash remainder of the settlement could not be used to redeem further market debt so, to ensure that the HRA CFR fell by the full level of the settlement, a notional transaction took place. An amount of debt equivalent to the cash remainder was transferred from the HRA to the General Fund, alongside the cash. This had a neutral effect on the General Fund's net debt.

The table below shows the CFRs before and after the debt settlement, with the HRA CFR falling by the settlement:

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund	675,454		675,454	84.47%
HRA	418,463		124,187	15.53%
Total	**1,093,917**		**799,641**	**100.00%**
		Of which financed:	*488,374*	
		Of which unfinanced:	*311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA’s treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***

- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***7-day LIBID***

- If the General Fund has temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***average portfolio temporary borrowing rate***

- If the General fund does not have temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***7-day LIBOR***

The market rates to be used (7-day LIBID and LIBOR) are the benchmark rates used by the Council for investments and temporary borrowing.

Future Reporting

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.