Public Document Pack

MANCHESTER
CITY COUNCIL

The Council's 2020/21 Budget Papers Pack

This is the 2020/21 Budget Papers Pack containing all the budget related documentation to be considered at the Resources and Governance Scrutiny Committee on 24 February 2020 and Budget Council on 7 March 2020.

2020/21 Budget Papers Pack

5. The Council's Budget 2020/21 - budget papers pack
In connection to the above, the following documents were considered by Executive on 12 February 2020.

5a. Budget 2020/21 – Covering Report;
5b. Medium Term Financial Plan 2020/21 - 2022/23;
5c. Capital Strategy and Budget 2019/20 to 2023/24;
5d. Council Business Plan 2020/21;
5e. Children and Education Budget 2020/21;
5f. Adult Social Care and Population Health Budget 2020/21
5g. Manchester Health and Care Commissioning Budget 2020/21
5h. Homelessness Budget 2020/21
5i. Neighbourhoods Directorate Budget 2020/21
5j. Growth and Development Budget 2020/21
5k. Corporate Core Budget 2020/21
5l. Dedicated Schools Grant 2020/21;
5m. Housing Revenue Account 2020/21 to 2022/23;
5n. Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2020/21
5o. Budget 2020/21 Public Consultation Outcomes
5p. Budget 2020/21 Equality Impact Assessment

These documents will be available to view on the Council's website using the following link and via the Modern.Gov app on tablet devices:-

https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=147&Ver=4

Due to the combined size of all of the above documentation, paper copies will only be provided to Elected Members on request.

(The Constitution provides that amendments to Executive's budget recommendation are to be submitted by the seventh day after the meeting of Executive).

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

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This document pack was issued on **Thursday, 27 February 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020
Resources and Governance Scrutiny Committee – 24 February 2020

Subject: Medium Term Financial Plan

Report of: Chief Executive and Deputy Chief Executive and City Treasurer

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Summary

This report sets out the budget proposals for 2020/21 based on the outcome of the Final 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 2020/21. This report should be read in conjunction with the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Dedicated Schools Grant Report, the Budget 2020/21 Covering Report, the Capital Strategy and Budget 2019/20-2023/24 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

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

2. Note 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;

3. Note the anticipated financial position for the Authority for the period of 2019/20 to 2020/21 which is based on all proposals being agreed;

4. Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2020/21;

5. Note that the Capital Strategy and Budget 2019/20 to 2023/24 will be presented alongside this report;

6. Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in the Budget 2020/21 Covering Report elsewhere on this agenda;

7. Make specific recommendations to Council to approve in the budget for 2020/21:

    a) an increase in the basic amount of Council Tax (i.e. the Council's element of Council Tax) by 1.99%. The Council has consulted on the 2% Adult Social Care precept increase. If agreed, it is proposed to prioritise this resource to support adults with learning disabilities to help meet the increased need and complexity of residents;

    b) the contingency sum of £0.860m;

    c) corporate budget requirements to cover levies/charges of £71.327m, capital financing costs of £44.507m, additional allowances and other pension costs of £9.580m and insurance costs of £2.004m;

    d) the inflationary pressures and budgets to be allocated sum of £10.271m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources. The Manchester Health and Care Commissioner (MHCC) elements of these costs have already been included in the Pooled Budget. The use of these budgets will be agreed with the MLCO Partnership Board, which has representation from all key partners, along with identifying whether any more formal approvals are required in line with the Council's key decision thresholds.

    e) the estimated utilisation of £9.579m in 2020/21 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

    f) the planned use of, and movement in, reserves as identified in the report and in Appendix 4 subject to the final call on reserves after any changes are required to account for final levies etc.

8. Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve in consultation with the Executive Members for Finance and Human Resources and Adult, Health and Wellbeing;

9. Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Social Care Reserve in consultation with Executive Members for Finance and Human Resources and Children's Services;

10. Authorise the Chief Executive and the City Solicitor, in consultation with the Executive Members for Finance and Human Resources and Culture, to agree the detailed terms of a 10 year grant agreement with Manchester International Festival (MIF), subject to confirmation of funding from Arts Council England (ACE) and having entered into a funding agreement with ACE;

11. Approve the gross and net directorate cash limits as set out in Section 6 and Appendix 1;

12 Approve the in principle contribution to the MHCC Section 75 (S75) Pooled Budget subject to the approval of the S75 Agreement at Executive;

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

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

15. Approve implementation of new business rate reliefs in 2020/21 as announced by Government, which will increase the retail relief offering, extending it to music venues and cinemas, as well as, the continuation of pub and local newspaper relief; and

16. Recommend that Council approve and adopt the budget for 2020/21.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The proposed 2020/21 budget will reflect the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

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 considers the medium term financial strategy for 2020/21 that will underpin all of the Council's priorities as determined through the Our Manchester 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 – as detailed in the report.

Legal Considerations – there are no specific legal considerations contained within the report.

Financial Consequences – Revenue

This report sets out a number of proposals which are subject to consideration by Executive following scrutiny. The implications for the Council's revenue budget for 2020/21 if all proposals are agreed are set out within the report.

Elsewhere on the agenda are the Directorate Reports, including a joint report for Health and Social Care, the Housing Revenue Account Budget Report, the Dedicated Schools Grant Report, Budget 2020/21 Covering Report and the Capital Strategy and Budget Report and the Treasury Management Strategy and Borrowing Limits and Annual Investment Strategy report. 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 2020/21

The latest financial position for 2019/20 is set out within the Global Revenue Budget Monitoring report elsewhere on the agenda.

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.

Suite of budget reports to Executive - 13 February 2019
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=147&MId=292&Ver=4

Spending Round Announcement 2019 report to Resources and Governance Scrutiny Committee – 8 October 2019
https://democracy.manchester.gov.uk/documents/s10560/Spending%20Round%20Announcement%202019.pdf

Resources and Governance Scrutiny Committee The Council's Updated Financial Strategy and Budget reports 2020/21
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=145&Ver=4

Final Local Government Finance Settlement - 6 February 2020
https://www.gov.uk/search/policy-papers-and-consultations?content_store_document_type%5B%5D=policy_papers&content_store_document_type%5B%5D=open_consultations&content_store_document_type%5B%5D=closed_consultations&order=updated-newest

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The structure of the report is as follows:

1 Introduction

1.1 At its meeting on 13 February 2019 Executive agreed to the 2019/20 budget, which was the final year in the three year budget strategy for 2017-20. At this point it was expected that there would be a spending review in 2019, resulting in a new multi-year settlement from 2020/21. However, the review did not take place and a one year Spending Round was announced on 4 September 2019. Following this the Final Local Government Finance Settlement 2020/21 was released on 6 February 2020. Due to the announcement of a one year Spending Round by government the Council will publish a single year budget for 2020/21, whilst maintaining focus on longer term financial planning.

1.2 The financial considerations contained within this report are based on the Final Local Government Finance Settlement issued on 6 February 2020 and announcements on grant allocations. It also contains the outcome of the decisions on council tax and business rates surpluses and bases that have been made by the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources under delegated powers.

1.3 Public Health allocations are yet to be confirmed. The Spending Round announced a real terms increase to the Public Health Grant budget, expected to be 2.63%, an increase of £1.328m which has been included in the proposed budget. For the Council Public Health expenditure is not currently grant funded but is now met from retained business rates. The Council's business rates tariff payment to the government should be reduced accordingly.

1.4 Executive are asked to consider the budget proposals in this report alongside any feedback from Scrutiny meetings and make recommendations on what should be included in the revised budget.

2 Background and Context

2.1 At the time the 2019/20 budget was set there was considerable uncertainty from the Government about the position post 2019/20 for the business rates regime, funding allocation formula and the overall quantum. The spending review process was also unclear. Following the revision of financial assumptions during the first quarter of 2019/20 an indicative savings allocation of £20m was identified for 2020/21. This followed ten years of austerity and the £372m of savings identified since 2010/11 with growing pressures particularly around Social Care and Homelessness.

2.2 Following the funding announcements in the Final Settlement relating to increases in the Settlement Funding Assessment and Better Care Fund as well as the continuation of social care grants and the Council’s review of resources and realignment of budgets the gap before any savings had reduced to around £7m.

2.3 In total savings and efficiency options of £7.5m have been identified for 2020/21, as summarised in table 2; these are further detailed in the relevant Directorate reports. This results in a breakeven budget as shown in table 1.

2.4 In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service, any savings identified in these areas have been reinvested within the service area to enable them to achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for potential savings in 2021/22 onwards.

2.5 The 2020/21 budget will be a one year roll over budget. The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan.

2.6 The Single Council Business Plan 2020/21 describes in more detail the action being taken to deliver the Corporate Plan this year. The plan is structured around the eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council. The plan also describes the Council's key workforce and technology considerations for 2020/21 as key enablers to delivering our Corporate Plan. Equalities implications are also described as well as our approach to risk management.

2.7 The covering report elsewhere on the agenda sets out the context for the budget and draws on the Council's Corporate Plan which sets out the Council's priorities for the next 2-3 years. To make that vision happen for everyone by 2025, as resources shrink and demand grows, the Our Manchester approach involves a three-way push to:

- Keep the basics on track
- Prevent problems down the line
- Tackle complex problems together

2.8 The budget proposals for 2020/21 will continue to reflect the priorities identified in the three-year budget strategy and as set out in the Corporate Plan. These have been updated to include action to address the climate emergency declared by the Council. The priorities in no particular order are:

- Zero carbon Manchester - Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide.
- Young People - From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better.
- Healthy, cared-for people - Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives.
- Housing - Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes.
- Neighbourhoods - Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of.

- Connections - Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks.
- Growth that benefits everyone - Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy.
- Well-managed Council - Support our people to be the best and make the most of our resources.

2.9 Our Corporate Plan priorities have been refreshed for 2020/21 to reflect the city's zero carbon target and declaration of the climate emergency, the launch of the local industrial strategy for the city, the headlines from the 2019 State of the City report, and the planning for internal transformation.

2.10 Whilst the Council is publishing a one year budget in line with the one year spending round there is a need to plan for a three year position. This is critical to demonstrate forward planning and resilience, ensuring the Council is in a stronger position to respond to national funding changes. Work has begun on the budget requirements for 2021/22 and beyond. This is in the context of considerable changes to Local Government funding including the outcome of the Spending Review 2020, changes to how local government funding is distributed, changes to the Business Rates Retention scheme, and the future of Adult Social Care funding. In addition, the 2019/20 budget established specific reserves to fund social care over a three year period, to avoid cliff edges and provide time to plan, dependant on the outcome of the national funding changes and any Brexit impact. It is expected that changes to the financial settlement will be supported through transition funding to avoid significant annual reductions.

2.11 The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position taking into account both resources available from Central Government and those generated locally alongside the need to fund unavoidable cost pressures and invest in Council priorities.

Budget 2020/21

2.12 This report sets out the latest financial position for setting the 2020/21 budget. This is in the context of agreed priorities with residents, any recent funding announcements and the Council's statutory duties. There is a need to invest more into the Council's front line services, particularly for adults and children's social care, for services to the homeless and to help mitigate some of the impacts of welfare reform.

3 Financial Context

3.1 Requests for additional funding to meet the spending proposals outlined in this report and detailed within Directorate Business and Budget Plans remain subject to Scrutiny and Executive consideration. Should all requests be agreed the revised financial position will be in line with the table below. This would enable a balanced budget to be achieved for 2020/21. The original budget for 2019/20 is shown for information.

3.2 To support the budget position and meet the identified pressures there has been a full review of resources available. These include additional council tax and business rates income, the use of reserves and changes to government grants.

Table 1 Summary of Resources Available and Budget Requirement

	2019/20 Original £0000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available:			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non ring fenced Grants	54,426	65,752	66,717
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of Other Reserves	12,859	12,859	21,481
Total Resources Available	**610,835**	**622,161**	**665,100**
Resources Required:			
Corporate Costs:			
Levies and Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
Sub-Total Corporate Costs	**123,164**	**133,740**	**135,032**
Directorate Costs:			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
Sub - Total Directorate Costs	**487,671**	**488,421**	**530,068**
Total Resources Required	**610,835**	**622,161**	**665,100**
Shortfall / (surplus)	**0**	**0**	**0**

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

3.3 The main changes between the original and revised budget are detailed in the following paragraphs.

3.4 Transfers from contingency total £0.75m as follows:

- £0.5m allocated to the Neighbourhoods Directorate to reflect an adjustment to the waste income target, following a decrease in the amount of Trade Waste;
- £250k allocated to the Neighbourhoods Directorate to reflect savings made on the waste levy following an initiative to increase recycling rates from residential apartments.

3.5 Transfers relating to inflationary pressures and budgets to be allocated total £8.181m as follows:

- £5.084m allocated for the annual pay inflation award allocated across Directorates;
- £0.753m from corporately held budgets to Children's Services to cover the increase in the average weekly cost of foster care placements and care leaver placements;
- £400k allocated to Children's Services for Home to School Transport to support cumulative increases in inflation requirements to reduce vehicle emissions and changes in the national minimum wage;
- £368k from budgets to be allocated, initially earmarked for increases to the Climate Change Levy rate, to the cross cutting commissioning savings target. The additional levy costs have been absorbed within electricity budgets therefore this budget is no longer required and is being redirected. Work will continue to identify commissioning savings which will fall directly to the respective Service areas;
- £355k allocated to Neighbourhoods for Waste Management inflation pressures;
- £334k allocated to Children's Services for development of the foster care service;
- £183k to fund dilapidation works for Early Years centres. This will allow the Council to undertake a 'condition survey' of all Manchester owned daycare buildings;
- £100k allocated to the Neighbourhoods Directorate to cover inflation cost for provision of school meals, which has been subject to a higher than inflationary increase of c4%. This will help ensure any increase in school meal prices are minimised; and
- other smaller allocations totalling £0.604m.

3.6 Virements between Directorates include:

- £2.7m budget transfer from Children's Services to Neighbourhoods and Highways for the movement of Youth Services between Directorates;
- £0.983m Decriminalised Parking Enforcement and Bus Lane income budget moved from Neighbourhoods and Highways to Corporate Services following a transfer of the fixed penalty and enforcement service;
- £279k Winter Pressures grant transferred from Adults Social Care to Homelessness - originally all the grant was held against Adult Social Care prior to allocations being finalised; and
- £102k Domestic Violence budget transfer from Adult Social Care to Neighbourhoods.

Savings Proposals

3.7 All existing savings targets are assumed to be delivered in 2020/21 unless they have been identified through review as not achievable in which case alternative options and/or funding arrangements are being proposed. Work has been carried out to identify new efficiency and income generation measures to deliver a balanced budget and ensure that budgets are realistic and reflect what is required to support the position. In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service, any savings identified in these areas will be used to achieve a breakeven position in 2020/21, with a focus on stabilising the position and preparing for savings in 2021/22 onwards.

3.8 With regard to homelessness, the service has identified a potential increase in income of £1m in 2020/21 relating to Housing Benefit for temporary accommodation which will be available from the Department of Work and Pensions (DWP) based on a small scale transfer of existing properties to be managed by Registered Providers (RPs) by the end of March 2020 and increasing incrementally throughout 2020/21, this will reduce the net cost to the Council. The option under consideration would target a transfer of properties outside of the city boundaries and the approach has been agreed in principle with registered providers. The financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.

3.9 In total savings and efficiency proposals of £7.5m have been identified for 2020/21, as summarised in the table below; these are detailed further in the relevant Directorate reports.

Table 2 Gross Savings Proposals and Reinvestment to meet Pressures Identified

	2020 / 21 Gross Savings Options Identified £000	2020 / 21 Re-invested to meet Pressures Identified £000	Net savings options supporting bottom line £000
Homelessness	(1,000)	1,000	0
Corporate Core	(3,449)	2,872	(577)
Neighbourhoods	(2,324)	754	(1,570)
Growth and Development	(690)	0	(690)
Total Savings Options	**(7,463)**	**4,626**	**(2,837)**

4 Underpinning Financial Assumptions

4.1 This section of the report goes into the detailed assumptions which underpin the revised budget for 2019/20 and the 2020/21 proposed budget.

Resources Available

Business Rates Income

4.2 Business Rates income is collected locally and partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution is to ensure that areas do not lose out just because their local business rates are low compared to their assessed needs. The Council has been part of a pilot to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The scheme set a growth baseline above which the ten Greater Manchester authorities would retain 100% of growth for the length of the pilot. On commencement of the 100% pilot the Council became a tariff authority (paying money to the government) rather than a top-up authority as it was previously under the 50% scheme. The tariff is the amount paid to the Government to adjust income from business rates and bring it in line with the Government's assessment of baseline funding level required. The top up was the amount received to bring funding in line with the Government's assessment of baseline funding level required.

4.3 In summary the total business rates related income available is as set out below.

Table 3 Business Rates Related Funding

	Original and Revised Budget 2019/20 £000	**Proposed Budget 2020/21 £000**
Business Rates Baseline	323,852	329,126
Business Rates (Tariff)	(40,398)	(40,550)
Additional Business Rates Income	1,482	21,115
Business Rates Grants	29,717	29,856
Business Rates related funding	**314,653**	**339,547**

4.4 The business rates baseline is the amount of business rates income that an authority is predicted to raise annually as included in the Settlement Funding Assessment. This has been increased in line with CPI in September 2019.

4.5 Additional Business Rates income - This is the estimate of the additional business rates income above the government's business rates baseline. This includes the amount the Council's anticipates collecting in business rates, less the 50% share of additional income received due to its participation in the 100% pilot that is passed to the GMCA, plus the Council's share of the business rates surplus relating to 2019/20 which totals £12.08m. The key decision relating to the declared business rate surplus is delegated to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources and was made on 31 January 2020. Of this surplus £4.179m is supporting the 2020/21 budget and £1.597m to be used to offset the forecast 2019/20 overspend. In addition it is proposed that an amount of £6.304m is transferred to a reserve to support the

Manchester International Festival and Factory. Further details are shown in the reserves section.

4.6 Business Rates Grants - grants under s.31 of the Local Government Finance Act 2003 totalling £29.717m are forecast for 2019/20 and £29.856m for 2020/21. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the government. This includes grants to facilitate the extension of the 100% Small Business Rates Relief and to compensate for the increase in the small business rates multiplier threshold. Additional reliefs have been announced in previous Autumn Statement. These have reduced business rates income and are reimbursed as Section 31 grants e.g. retail relief.

4.7 On 27 January 2020 the Government issued a written ministerial statement detailing new business rates reliefs for 2020/21. This increased retail relief from 33% to 50% and included an extension of the relief to music venues and cinemas, as well as the continuation of pub and local newspaper relief. The NNDR1 return to the government which shows the business rates base had to be completed prior to these amended reliefs being awarded. The additional relief is forecast to be £3.02m and will be reimbursed by Section 31 grant from the government. A supplementary return will be returned once any relevant legislation is passed which will result in increased business rates grants in 2020/21 to offset the loss in business rates income in the following year. The Council has sought legal advice and will issue 2020/21 bills to include the new reliefs, which will avoid rebilling ratepayers.

4.8 All grants reflect Manchester's increased business rates share as a result of being part of the rates retention pilot. These are taken into account when quantifying the additional income as a result of participation in the 100% pilot which is shared with the GMCA.

4.9 The Greater Manchester Councils, including Manchester, together with Cheshire East and Cheshire West and Chester, continue to participate in the Greater Manchester and Cheshire Business Rates Pool which enables any levy that would be otherwise be passed to the government to be retained for the benefit of the Greater Manchester and Cheshire authorities. The levy is payable by tariff authorities who experience significant growth in their taxbase.

4.10 In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), is reimbursed to the Council. The estimate for 2020/21 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ring-fenced for the costs of the enterprise zone growth manager and the borrowing costs associated with the developments.

4.11 The Government has confirmed that the 100% business rates growth retention pilot for Greater Manchester will continue for 2020/21. There is no confirmation of what will happen beyond next year.

Table 4 Forecast Business Rates Grants

	Original and Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Small Business Rates Relief	14,830	15,352
Multiplier Cap	10,758	13,665
Retail Relief	7,606	5,762
Discretionary Revaluation	310	45
Enterprise Zone discounts	1,034	1,058
Adjustment to Top up in relation to multiplier cap	(4,821)	(6,026)
Total Section 31 Business Rates Grants	**29,717**	**29,856**

Council Tax

4.12 The Council collects council tax which includes the Council's own elements as well as the GMCA police and crime commissioner precept, the GMCA fire precept and the GMCA mayoral general precept. This report focuses on the increase to the Council element. There will also be increases for the GMCA precepts.

4.13 There have been various changes to the element of council tax relating to the Council which are broken down below. These are:

- Referendum criteria - The proposed referendum principles for council tax are for a core increase of 2%. For the Council 2% equates to around £3.2m additional income. The budget currently assumes that the Council will increase council tax by 3.99%, which includes 2% precept for adult social care, and is subject to consultation.
- The assumption for the council tax collection rate continues at 96.5%. This is based on historic trends in collection as council tax due in the current year will continue to be collected for a number of years.

4.14 The Council has agreed to consult on the 2% adult social care precept increase. If agreed it is proposed to prioritise this resource to support adults with learning disabilities to meet increased need and complexity of citizens. The impact of these changes on the 2020/21 position are shown in the following table:

Table 5 Net Council Tax Income Increase

	2019/20 £000	2020 /21 £000
General Increase	3,058	3,242
Adult Social Care Increase	2,305	3,259
Increase to Tax Base	4,039	3,907
Change in prior year surplus	3,035	(2,450)
Total Increased Council Tax	**12,437**	**7,958**

4.15 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to set the tax base for Council tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

4.16 This calculation has to be based on data available on 30 November 2019 and the decision must be made between 1 December 2019 and 31 January 2020. The Council has to notify the precepting authorities of its calculation for 2020/21 by 31 January 2020. The tax base for tax setting purposes for the year 2020/21 was agreed on 8 January 2020 at 118,864.8. This compares to the base of 116,014.8, an increase of 2.5% and is due mainly to an increase in the number of properties in the city and a fall in the amount of council tax support awarded.

4.17 The 2019/20 Council Tax position has been estimated based on information available at the end of December 2019. A surplus of £5.988m is estimated of which Manchester will retain £5.028m. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to agree the declared council tax surplus and this key decision was made on 15 January 2020. It is proposed that an amount of £4.363m is transferred to a reserve to support the Manchester International Festival and Factory and £250k is used to fund digital city work. The balance has been used to support the budget. Further details are shown in the reserves section.

4.18 Table 6 below shows the proposed Band D impact if the proposed increases are agreed by the Council and GMCA. The decision on the level of increase in the Council element will be considered at Council on 6 March following consultation on the proposed 2% social care precept. Decisions on the GMCA elements will be made by the GMCA on 14 February.

Table 6 Proposed Band D Council Tax

Impact on Band D Council Tax - Precepting Authority	**2019/20 £**	**2020/21 £**	**Increase %**
Council (including Adult Social Care Precept)	1,370.77	1,425.46	3.99%
GM Mayoral Police and Crime Commissioner Precept	198.30	208.30	5.04%
GM Mayoral General Precept (including Fire)	76.95	90.95	18.19%
Total	**1,646.02**	**1,724.71**	**4.78%**

Other Non Ring-Fenced Grants and Contributions

4.19 The following table lists the other non ring-fenced grants and contributions expected. There are a number of direct grants which are held within the Directorate cash limit budgets.

Table 7 Other Non Ring-Fenced Grants and Contributions

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Better Care Fund (Improved)	30,815	30,815	30,815
Children's and Adult's Social Care Grant	4,555	4,555	17,564
New Homes Bonus	8,202	8,202	8,864
Contribution from MHCC	4,000	4,000	4,000
GMCA Rebate	0	10,651	0
Education Services Grant	1,260	1,260	1,260
Housing Benefit Admin Subsidy	2,514	2,514	2,514
Universal Credit Funding	314	314	0
Brexit preparation funding	105	105	0
Bus Reform and the 16-18 Opportunity Pass	1,618	1,618	0
Council Tax Support Admin Subsidy	881	881	863
Care Act Grants	162	162	162
Business Rates Returned Levy	0	675	675
Total Non Ring-Fenced Grants	**54,426**	**65,752**	**66,717**

4.20 Issues around the non ring-fenced grants and contributions are detailed below. Other grants and contributions are contained within the directorate budgets and detailed in the directorate reports elsewhere on this agenda:

- Better Care Fund (Improved) - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was to ensure councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. In 2020/21 Winter Pressures Funding was introduced in 2019/20 to help local areas ease winter pressure on the NHS and reduce delayed transfers of care. From 2020/21 this has been rolled into Better Care Fund and the ring fence removed. This is being used to fund priorities and pressures within Adult Social Care. The full detail is set out in the Manchester Health and Care Commissioning - Adult Social Care Business Plan.

- Children and Adults Social Care Grant - An additional £1 billion Social Care Grant for adult and children’s service was announced in the 2020/21 Local Government Finance Settlement. The grant allocation basis for the £1bn has been confirmed as the hybrid proposed in the technical consultation which takes some account of the additional social care precept to equalise the grant allocation. Manchester will receive £17.564m in 2020/21, an increase of £13.009m from £4.555m in 2019/20.

- New Homes Bonus (NHB) - The Government has confirmed that NHB will continue for another year, however the government very clearly intends to phase it out by 2023/24. There is no change in the operation of the scheme in 2020/21 and the threshold has been retained at 0.4% of Band D equivalent properties. No NHB is paid for growth up to 0.4%. The new amounts earned in 2020/21 (Year 10) will only attract a grant for that year. In the following year (2021/22), rewards will only be paid in respect of years 8 and 9, and in year 2022/23 only for year 9, effectively ending by 2023/24. The government intends to replace NHB with a more targeted incentive which will be subject to consultation in the Spring.

- Contribution from Manchester Health and Care Commissioning (MHCC) - This relates to the agreement of a longer term joint funding strategy with the CCG which includes an ongoing £4m contribution to the MHCC Pooled Budget.

- GMCA Rebate - This relates to rebates received from GMCA in 2019/20 relating to both returned business rates income and reserves specifically held for waste costs.

- Education Services Grant - This relates to retained funding from DSG to fund statutory duties at a rate of £15 per pupil.

- Housing Benefits Administration Subsidy, Universal Credit Funding and Council Tax Support Administration Funding - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.

- Brexit Preparation Funding - On 29 January 2019 the government announced an additional £56.5m to help councils with Brexit preparations. The Council’s initial allocation was £210k to be received over two financial years - 2018/19 and 2019/20.

- Contribution for Bus Reform including 16 – 18 year old concessionary ravel - Funding was allocated from the Greater Manchester Combined Authority to contribute to the increased transport levy costs each year.

- Care Act Grants - Funding allocations for adult social care duties previously announced.

- Business Rates Returned Levy - It is expected that there will be a redistribution of the surplus held in the national levy account in 2019/20. The national amount has been estimated at £45m which would equate to £0.675m annually for Manchester. The amount has yet to be confirmed. This is to be transferred to a reserve and then used a year in arrears to recognise this risk as the final amount is dependent on the national position in relation to safety net and levy payments and receipts.

4.21 Airport Dividend and use of Airport Reserve - For 2020/21 an amount of £61.990m will be used to support the budget. Of this dividend, £14.91m supports the budget in year, the remainder is 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.

4.22 Other Dividends and Commercial Income:

- There is also £0.4m expected for other dividends (National Car Parks Ltd and Piccadilly Triangle) and £0.5m additional commercial income from Manchester Central. Further details relating to the additional commercial income is shown in the Corporate Core Budget Report 2020/21. Any additional dividend to that planned is treated as fortuitous income. In the first instance it will be added to the Capital Fund to support future investment or the Capital Financing Reserve if there are associated borrowing costs.

4.23 Use of reserves to support the corporate revenue budget is £12.859m in 2019/20 and £21.481m in 2020/21. Details of these are shown in the reserves section.

Resources Required

4.24 The following table sets out the forecast levy payments and payment to GMCA.

Table 8 Levy Payments and Payment to GMCA

	Original and Revised Budget 2019/20 £000	**Proposed Budget 2020/21 £000**
Transport Levy	38,157	37,476
GMCA Waste Services *	31,514	30,051
Environment Agency	217	224
Probation (Residual Debt)	22	15
Magistrates Court (Residual Debt)	9	9
Port Health Authority	71	71
Net Cost of Levies	**69,990**	**67,846**
Payment to GMCA	0	3,481
	69,990	**71,327**

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

4.25 The GM Waste Levy assumptions have been updated based on the most up to date tonnages and reflect savings the Council has made following service changes implemented to improve recycling rates. The final amount will be confirmed following the meeting of the GMCA on 14 February 2020 and may vary slightly. An additional contingency sum of £111k has been included within the Council's corporate contingency in 2020/21 to cover any potential increased charge in year.

4.26 The potential payment to GMCA relates to bus reform proposals. The financial case for the bus reform proposals include a full assessment of how the GMCA could afford to make and operate the proposed scheme. The assessment set out a range of credible funding sources which exceed the net modelled costs to operate the scheme over the proposed transition period. The assessment also concluded the proposed franchising scheme was affordable and would represent value for money. Following the audit of the assessment the GMCA agreed in October to commence consultation on the proposed franchising scheme which included a proposed funding package. The forecast net costs over the transition period up to 2024/25 are approximately £134.5m. The sources of funding include £78m of mayoral 'earn back' funds (provided by central government as part of Greater Manchester's Devolution Agreement), £11m raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes and £22.7m from the mayoral precept in future years budgets, £5m of existing and forecast business rates receipts held by GMCA and £17.8m of contributions by Local Authorities as a proposed one off increase in the statutory contribution in 2020/21. Any differences between the cashflowed spend and profiled funding requirement will be covered through prudential borrowing by the GMCA rather than being an additional demand on districts. Discussions are also ongoing with the Government around their level of support to deliver bus reform which could potentially reduce the local funding required including from the mayoral precept. The full business case will be included in the consultation documentation and includes the indicative profile of the costs and funding requirement.

4.27 The local authority contribution may be required following the outcomes of the consultation on the proposed bus reforms. On the basis of the above the Council's share would be £3.481m. This would be held in the budget smoothing reserve and drawn down during 2020/21 if required.

4.28 The required contingency amount includes:

- £260k in relation to risks around the waste levy and collection.
- £0.6m as an unallocated contingency to meet future unforeseen expenses.

4.29 The capital financing budget of £44.507m supports the costs of borrowing including interest costs and the minimum revenue provision, plus contributions to the capital financing reserve for revenue funding of the programme. Of this £25.114m is funded by interest received on loans made by the Council to Manchester Airport Group and other partner organisations

4.30 Transfers to reserves of £18.393m in 2019/20 and £18.338m in 2020/21 relate to:

- Minimum Revenue Provision (MRP) saving transferred to the Town Hall
- Reserve £2.4m in both years. It was previously agreed that savings from the changes in the MRP policy from 2017/18 would be used to fund the revenue costs associated with the cost of the town hall project across the life of the project.

- Transfer to Social Care Reserve of £2.904m in 2019/20 and £0.92m in 2020/21 from additional Small Business Rates Relief grant as approved as part of the 2019/20 budget.
- Transfer to Adult Social Care Improvement Reserve £1.493m in 2019/20.
- Transfer of Brexit Grant to reserve £105k in 2019/20 to fund future expenditure.
- Replenish general fund reserve in 2019/20 £165k.
- Transfer GMCA Rebate to the budget smoothing reserve in 2019/20 for use over the following two financial years £10.651m.
- Transfer Business Rates Returned Levy Surplus £0.675m to the Business Rates Reserve in 2019/20 and 2020/21. This is to be used a year in arrears to recognise the risk that the final amount is dependent on the national position in relation to safety net and levy payments and receipts.
- Transfer £4.363m of the declared Council Tax Surplus in 2020/21 and £6.304m of the declared Business Rates Surplus in 2020/21 to the Manchester International Reserve to support future years' expenditure.
- Transfer the remaining £1.597m of the 2020/21 Business Rate Surplus to contribute to funding the projected 2019/20 in year overspend.

4.31 Additional allowances for former staff and teachers' pension costs total £10.030m in 2019/20 and £9.580m in 2020/21 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. This budget has been reduced by £450k since 2019/20 and will continue to reduce over time. Details of this saving is shown in the Corporate Core Budget Report 2020/21.

4.32 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.

Inflationary Pressures and Budgets to be Allocated

4.33 The main assumptions are shown in the table below and detailed in the following paragraphs.

Table 9 Inflationary pressures and budgets to be allocated

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Non Pay Inflation	3,564	774	2,361
Pay Inflation including national living wage	5,073	50	6,520
Pension Contribution reduction	0	0	-800
Apprenticeship Levy 0.5%	900	900	900
Capacity for further budget pressures (including domestic violence)	0	0	1,000

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Climate Change Levy	368	0	0
Digital City work	0	0	250
Contribution to Cemeteries Reserve	40	40	40
Total	**9,945**	**1,764**	**10,271**

Note: The allocation relating to the pooled budget are not included in the table above as they have been included within Adult Social Care cash-limit budget as follows: National Living Wage £4.4m, Pay Inflation £1.530m and Non Pay Inflation £2.413m.

4.34 This includes the following:

- Non Pay inflation - provided for increased running costs each year. The current balance remaining for 2019/20 is £0.774m, however, there are likely to be further commitments before the end of the year which will utilise this budget. The full year budget provision is £2.361m for 2020/21. This includes funding for the anticipated increase in utility charges and care costs.
- Pay inflation - assumed to be in line with the Chancellor's commitment of national living wage of £10.50 by 2024/25 - aligned to the Local Government pay scale.
- Change in the Employer Pension Contribution rate - following completion of the Pensions Actuarial Review. Notification has recently been received that the Council's contribution rate will decrease slightly, reducing by 0.4% from 19.1% to 18.7%, which is estimated to save c£0.8m per year.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- Capacity for further pressures - this allows for £1m in relation to potential other pressures including those arising from the review of domestic violence funding
- Digital City work - a budget of £250k for 2020/21. Being a Smart City by 2025 means being strong with digital technology companies and is a key enabler to delivering the carbon agenda. Work is underway to scope a role profile for a Digital Strategist role that will be the custodian for this work. Consideration needs to be given to the best way of filling this role and the required capacity that can be drawn on to support the role and link the infrastructure, ICT, data and Corporate Core within the Council. This has been funded from the Council Tax surplus.
- Contribution to Cemeteries reserve - this is an annual budget commitment to contribute to the reserve to purchase land for burials.

5 Financial Reserves

5.1 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 full review of all the reserves held has been carried out as part of the budget setting process.

5.2 The reserves include:

- Reserves that have been identified to directly support the proposed budget position
- 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 – following local authority accounting standards these are held in a reserve

5.3 The following table shows an analysis of the planned use of reserves in 2019/20 and 2020/21 to support revenue expenditure. Appendix 4 contains further details of these reserves including the projected balances to 2024.

Table 10 Planned use of reserves

	2019/20 £000	**2020/21 £000**
Reserves directly supporting the revenue budget:		
Budget smoothing reserve	2,500	7,066
Bus Lane (supporting Transport Levy)	3,092	3,092
Social Care Investment Reserve	6,357	7,135
Adult Social Care	0	2,150
Anti Social Behaviour Team Reserve	420	540
Business Rates Reserve	490	1,165
Transformation Reserve	0	333
Sub Total	**12,859**	**21,481**
Statutory Reserves:		
Bus Lane Enforcement and Parking reserves	5,823	6,487
Other Statutory Reserves	795	436
Balances Held for PFI's	150	375
Social Care Reserves :		
Social Care Reserve	1,320	0
Adult Social Care Reserve	3,943	3,395
Reserves held to smooth risk / assurance:		
Airport Dividend Reserve	47,080	47,080
Business Rates Reserve	4,000	2,000
Housing Investment Fund	5,891	0
Other Reserves held to smooth risk / assurance	1,167	3,139
Reserves held to support capital schemes:		
Capital Fund	21,378	10,366

	2019/20 £000	2020/21 £000
Investment Reserve	747	2,325
Manchester International Festival Reserve	500	0
Eastlands Reserve	6,463	5,682
Other reserves held to support capital schemes	75	1,061
Reserves held to support growth and reform:		
Clean City Reserve	1,458	0
Better Care Reserve	4,462	1,273
Town Hall Reserve	3,177	3,185
Our Manchester Reserve	2,391	2,556
Other Reserves to support growth and reform	451	1,332
Grants and Contributions used to meet commitments over more than one year	2,799	2,048
Small Specific Reserves	117	982
General Fund	625	0
Total	**127,671**	**115,203**

5.4 Further detail on the main planned use of reserves is set out in more detail in the following paragraphs.

Reserves directly supporting the revenue budget

5.5 The use of reserves that directly support the revenue budget bottom line are shown below:

- Budget Smoothing Reserve - This reserve was initially funded from a £5m transfer from a reserve previously set aside for historic abuse claims and was used to support the 2018/19 and 2019/20 budget at £2.5m per year. An additional amount of £10.651m is to be transferred to this reserve in 2019/20. This relates to rebates due from the Greater Manchester Combined Authority relating to business rates and waste. An amount of £3.481m is to be returned to the GMCA in 2020/21 as a potential statutory charge relating to bus reform costs. The balance of this reserve is then to be used over the two financial years 2020/21 and 2021/22 to support the budget (£3.585m per year).

- Bus Lane Enforcement Reserve - An amount of £3.092m for 2019/20 and 2020/21 is to be used to support the transport levy.

- Social Care Investment Reserve - The budget strategy for Children's and Education Services in 2019/20 was to put the directorate onto a sustainable footing given the local and national pressures being faced by Children's Social Care Services. Additional resources of £7.135m per annum over three years were approved to address the pressures across all budget areas to provide the capacity that will enable a longer term approach by investing in early help and prevention alongside evidenced based interventions which support improving outcomes for children and financial sustainability. Of this £0.778m was funded from the Social Care Grant in 2019/20.

- Additionally £1.320m from this reserve is providing the final element of funding for the Children's Improvement Programme.

Table 11 Planned use of Social Care reserve

	2019/20 £000	2020/21 £000	2021/22 £000
Opening Balance	**18,028**	**13,255**	**7,040**
Contribution	2,904	920	1,557
Withdrawals:			
Approved in 2019/20 as part of 3 year investment strategy	(6,357)	(7,135)	(7,135)
Final element of funding for Children's Improvement Programme	(1,320)		
Closing Balance	**13,255**	**7,040**	**1,462**

- Adult Social Care Reserve - The 2019/20 budget recognised there was a need to provide a stable funding base for adult social care. Additional grant funding received was combined with a number of other resources to create a reserve to use over a three year period. In 2020/21 and 2021/22 £2.150m each year will support the programme of improvement work which is underway in adult social care the aim being to 'Improve the delivery of the Council's adult social care assessment, care and support planning and statutory safeguarding offer and the delivery of the in house provider services'.

- In addition it is proposed that continued non-recurrent funding will be made available in 2020/21 of up to £1m towards the overhead costs of MLCO from the remaining balance within Adult Social Care reserve. Further in 2020/21 £1.5m has been set aside as a one-off to be used to underwrite the risk in Homelessness subject to the finalisation of government funding announcements and £0.895m to support the use of temporary accommodation and transition costs for people with Learning Disabilities moving into new accommodation.

Table 12 Planned use of Adult Social Care Reserve

	2019/20 £000	2020/21 £000	2021/22 £000
Opening Balance	**7,145**	**7,695**	**2,150**
Contribution to Reserve	4,493		
Withdrawals:			
To support the 3 year programme of improvement work	(783)	(2,150)	(2,150)
Mental Health review capacity	(400)		

	2019/20 £000	2020/21 £000	2021/22 £000
Winter Pressures (grant c/fwd from 2018/19)	(560)		
Learning Disability Supported Accommodation transition	(300)		
Expansion of reablement	(1,568)		
Transformation capacity	(322)		
Contribution to GM scheme	(10)		
Local Care Organisation Contribution		(1,000)	
Underwrite pressures in Homelessness relating to need for temporary accommodation		(1,500)	
Support transitional costs for people with Learning Disabilities moving into new accommodation.		(895)	
Closing Balance	**7,695**	**2,150**	**0**

- Anti-Social Behaviour Team Reserve - The Resources and Governance Budget Scrutiny meeting of 25 February 2019 supported an amendment to allocate a budget of £1.5m over three years, to be phased £420k in the first year and £0.540m in both subsequent years, to increase the capacity of the Council to tackle anti-social behaviour in neighbourhoods. This was approved by Council 8 March 2019.

- Business Rates Reserve - This reserve is set aside to mitigate business rates income risk due to the volatility of the assumptions and the reset of the base in 2021/22. It is to be used to fund revenue and benefits costs of £490k in 2019/20 and 2020/21. This provides funding for additional capacity within Revenue and Benefits to enable the Contact Centre to deliver the Children's Services Service Level Agreement, engage additional support to maximise the collection of business rates and provide funding for food banks and future service change. The 2019/20 returned business rates levy surplus, estimated at £0.675m is also to be held in this reserve and used a year in arrears to recognise the risk as the final amount is dependent on the national position in relation to safety net and levy payments and receipts. In addition to the amount used to support the budget a further £4m is to be used in 2019/20 and £2m in 2020/21 to smooth collection fund surpluses across years.

- Transformation Reserve - An amount of £0.333m per annum from 2019/20 is to be used for volunteer engagement, programme management capacity and specialist support.

Other Use of Reserves within Directorate Cash Limits

5.6 Parking Reserve and Bus Lane Enforcement Reserve - 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 or for financial support to off street parking. The expected balance on these reserves at the 1

April 2020 is £16.965m. It is estimated that £9.951m will be added to these reserves during 2020/21 and £9.579m used, leaving a balance of £17.337m at the 31 March 2020. The reserves will be used in accordance with the requirements to fund spending in the Neighbourhoods Directorate as well as part of the transport levy.

5.7 Airport Dividend Reserve - Of the total airport dividend received, £14.91m directly supports the budget in year, the remainder is placed in the airport dividend reserve and is used in arrears in recognition that this is not a guaranteed income stream and that it may also reduce or increase in future years.

5.8 Housing Investment Fund - This reserve holds the net income and expenditure relating to Housing Investment Fund loans that the Council held on behalf of the Greater Manchester Combined Authority (GMCA) until the GMCA received the required borrowing powers. These borrowing powers have now been granted to GMCA and the loans undertaken by the Council are in the process of being novated. This reserve is expected to be transferred to the GMCA in 2019/20.

5.9 Capital Fund - This is used to contribute to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme and to fund high priority strategic development opportunities in the city for those that do not attract external funding.

5.10 Investment Reserve - This is used to fund housing and regeneration activities, including staffing costs.

5.11 Manchester International Festival (MIF) Reserve - The Council has committed to maintaining funding of £1.5m per annum to support the Factory/Manchester International Festival as part of the commitment to match the revenue support from Arts Council England (ACE), currently c£9m each year. It is proposed that £0.5m per annum will be retained in the mainstream budget with the remaining requirement held in reserve to cover ten years of funding. This reserve will be increased to the required balance using Council Tax surpluses of £4.363m and Business Rates surpluses of £6.304m from 2019/20. The Executive is requested to authorise the Chief Executive and the City Solicitor, in consultation with the Executive Members for Finance and Human Resources and Culture, to enter into a 10 year grant agreement with MIF, which will be subject to confirmation of funding from ACE, and will contain terms aligned to those of the third party funding agreements with ACE and/or others, including break clauses aligned to ACE funding cycles and decisions.

5.12 Eastlands Reserve - This reserve will be used for various projects including English Institute of Sport and Sport England. Reserve also reflects Manchester City Football Club income.

5.13 Clean City Reserve - To support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities. This reserve is expected to be fully utilised in 2019/20.

5.14 Better Care/Integration Reserve - The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan and is managed with the pooled budget.

5.15 Town Hall Reserve - The refurbishment of the Town Hall has revenue implications such as the cost of alternative accommodation and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities. It has previously been approved that savings in Minimum Revenue Provision (MRP) be used to fund the revenue costs.

5.16 Our Manchester Reserve - Investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives.

6 Directorate Budgets

6.1 A summary of the changes for each service area from the revised 2019/20 cash limits which are incorporated in the 2020/21 budget is shown in the table below and detailed in the following paragraphs.

Table 13 Change from 2019/20 Cash Limit budget to 2020/21 Cash Limit budget.

	Cash Limit	Savings	Pressures being offset by Savings	Growth / Other Adj	Proposed Cash Limit
	2019/20 £000	**2020/21 £000**	**2020/21 £000**	**2020/21 £000**	**2020/21 £000**
Children Services	**120,432**	0	0	9,888	**130,320**
MHCC Pooled Budget	**193,604**	0	0	23,260	**216,864**
Adults Social Care - Services out of scope of Pooled Budget	**4,303**	0	0	86	**4,389**
Homelessness	**13,933**	(1,000)	1,000	1,352	**15,285**
Corporate Core	**69,554**	(2,500)	2,573	333	**69,960**
Neighbourhood Services	**66,981**	(2,324)	754	(1,660)	**63,751**
Growth and Development	**5,816**	(690)	0	2,518	**7,644**
Total Directorate Budget	**474,623**	(6,514)	4,327	35,777	**508,213**

Children's Services

6.2 Following a review of the service demands, total growth of £9.888m has been included in the 2020/21 budget, This relates to:

- £1.878m for pressures specifically for an additional budget requirement for an anticipated increase in children looked after in 2020/21,
- £6.009m to apply the additional Social Care Grant (announced as part of the Spending Round) to provide capacity for additional placements,
- £300k to meet the ongoing impact of increasing legal support costs which has continued to increase significantly in 2019/20. Children's Services and the Corporate Core are working to address this position. The additional investment is to reduce the use of external legal services by improving the recruitment and retention of solicitors within the Council and to increase capacity to deal with more complex cases and
- £1.701m to reflect a significant increase in the number of children looked after as well as costs of leaving care in November and December.

Adults' Services

6.3 The service has been allocated an additional amount of £23.346m. As adult social care is held within the pooled budget it is inclusive of pay and non-pay inflation. For other services this is held corporately and allocated according to need. The additional amount allocated to adult services is detailed as follows:

- £2.015m to meet the assessment of the prediction of future increases in need based on population modelling,
- Adults use of the Social Care reserve £1.366m,
- £4.4m the contract cost impact of the National Living Wage increase (subject to confirmation on timing by Government),
- £7m to apply the additional share of Adult Services Grant (announced as part of the Spending Round),
- £1.363m estimated additional funding for Public Health,
- £3.259m to passport the additional resource relating to the 2% increase in the Adult Social Care Precept (subject to consultation),
- £1.53m for the assumed impact of the 2020/21 pay award (to be confirmed) for ASC staff employed by MCC. This reflects Council budget assumptions to be in line with the potential increase to £10.50 per hour by 2024/25 using Local Government pay scales,
- £2.413m pooled budget share of the additional price inflation uplift to support contract increases including the capacity to support a move towards the Real Living Wage in the care market.

Homelessness

6.4 Additional funding has been provided totalling £1.352m in 2020/21 as follows:

- £0.373k additional investment to meet the ongoing costs of the Longford Centre, the homelessness prevention centre which opened in March 2018. This cost was previously met by GMCA but this non-recurrent funding is not available in 2020/21 and

- Funding for increased need of £0.979m has been applied to support the budget position based on the estimated growth in demand since the start of the year.

Corporate Core

6.5 The Directorate has identified a total of £2.5m savings and £2.573m pressures (detailed in Appendix 2). Additional investment of £333k has been provided in 2020/21 to support the Our Transformation work by providing additional capacity to assist the Council in reviewing modernising and digitising its business processes. The total investment is £1m across the 3 year period funded from the specific reserve created to meet future transformation costs.

Neighbourhood Directorate

6.6 The Directorate has identified £2.324m of savings and £0.754m of budget pressures (detailed in Appendix2). There is also a £2.363m budget transfer from Growth and Development for advertising income, £300k waste collection increase relating to additional households and £283k to offset the loss of trade waste income adjustment. The additional budget provision for anti-social behaviour teams over three years as agreed in 2019/20 has been increased by £120k from £420k to £0.54m in 2020/21.

Growth and Development

6.7 The Directorate has identified savings of £0.690m (detailed in Appendix 2). There is a budget transfer to Neighbourhoods as above for advertising income £2.363m and an additional pressure of £155k has been included for the 2020/21 budget. This relates to £155k allocated to facilities management to fund the ongoing costs of the Lloyd Street toilets being the only owned public toilets within the City centre and to support the homelessness agenda. The forecast cost also reflects the additional security that will be required.

6.8 The cash limit budgets, incorporating these changes, 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 £30.051m in 2020/21 which is shown against Corporate Items but will be monitored by the Neighbourhoods Directorate.

Table 14 Cash Limit budgets

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Children's Services	120,434	120,432	130,320
MHCC Pooled Budget	194,050	193,604	216,864
Adult Social Care - Services out of scope of Pooled Budget	4,213	4,303	4,389

Homelessness	13,375	13,933	15,285
Corporate Core	67,838	69,554	69,960
Neighbourhood Directorate	60,267	66,981	63,751
Growth and Development	5,515	5,816	7,644
Total	**465,692**	**474,623**	**508,213**

6.9 Appendix 1 shows the gross and net proposed cash limits budgets per Directorate.

7 Workforce Implications

7.1 The Council's workforce will be the essential driving force behind the Our Manchester strategy. The Council would be nothing without the hard work, dedication, and passion that is seen in staff every day. Our People is the Council's commitment to offer a high quality employee experience that truly reflects the Our Manchester behaviours.

7.2 A comprehensive work programme is in place to deliver on the vision of the Our People Strategy (included elsewhere on the agenda) and, underpinning this, is a focus on strengthening core people management practices across the Council and providing managers with the tools and the support they need to manage effectively. This is crucial to supporting the organisation's overarching budget strategy, by ensuring the capacity of the organisation's human resources are deployed and developed to best effect.

7.3 There is a clear recognition that the Council will need to continue to invest in skills for existing staff and attract, develop and retain new talent to enhance the Council's capacity and capabilities for the challenges ahead. This is being enabled by opportunities made available through natural turnover and supported by a strong focus on the development of new skills and ways of working as part of the Our People Strategy, informed by the BHeard Survey and strengthened workforce intelligence, with a particular focus on:

- Enabling and supporting high quality people management
- Developing workforce skills and experience to meet our needs today, and in the future
- Embedding a culture which lives and breathes the Our Manchester behaviours
- Modernising and reforming our service models and approaches to delivery
- Driving an inclusive workforce and workplace reflective of Manchester's diverse communities.

Table 15: Workforce numbers

Summary by Directorate	2019/20 Budgeted Posts FTE	2020/21 Saving Proposals Gross FTE Impact (Indicative)
MHCC Pooled Budget	1,415	0
Adult Social Care -	52	0

Services out of scope of Pooled Budget:		
Homelessness	253	0
Children and Education Services	1,316	
Corporate Core	1,823	16.4
Neighbourhoods (including Highways)	1,442	0
Growth and Development	654	0
Total	**6,955**	**16.4**

It should also be noted:

- With regards to the savings relating to human resources policies and processes - £1.5m scheduled for 2019/20 has been achieved, mainly through review and deletion of vacant positions.

- The £0.5m savings target linked with the Our Transformation work has been fully achieved in 2019/20 largely through savings including realigning work, deleting vacancies and other efficiencies.

7.4 The proposals above will require the deletion of 16.4 posts which can be achieved by the deletion of vacant positions - the detailed proposals are set out within the Corporate Core Budget Report 2020/21.

7.5 Proposed investment in services will also create employment opportunities. Subject to approval, the additional posts established in the Council will be included within the overall workforce planning requirements. This includes:

- The establishment of a Placement Stability Service within Children's Services with the aim of providing a targeted and specialist intervention to prevent the breakdown of fostering arrangements, high cost external placements and improves the wellbeing and outcomes for our children and young people. This currently includes an indicative workforce requirement of 8 FTEs.

- Additional investment in workforce capacity, including an additional 2 FTEs, with sufficient strategic commissioning capacity, skill, knowledge and expertise to implement the commissioning and placement sufficiency plan within Children's Services.

- There are also proposals within Children's Services to recognise the commitment and loyalty of staff, reduce the social work turnover, increase the social work experience with a view to improve social worker recruitment and retention and thereby remove the reliance on agency staff.

- Key elements of improved and increased service delivery within Homelessness (notably the Section 21 team and the Private Rented Sector Team) are currently reliant on time limited funding and therefore temporary posts. Funding proposals have been put in place to enable a permanent staffing structure to be implemented in April 2020, therefore avoiding the need for 33 time limited placements.

- Within Adult Services provide additional capacity for assessments of people leaving the Reablement service (6 FTEs)

- With regards to the In-house supported accommodation overspend within Adult Services dedicated social workers have been put in place to assess clients' needs. If those assessments prove additional spend is required, existing posts will be filled in the first instance. However, the mix of staff in each property may need to be reviewed which could lead to additional posts being created within the financial envelope. Any impact on FTE numbers will only be confirmed once this work is complete.

- The Council has committed to underwriting the cost of a new Chief Executive role at the Manchester Climate Change Agency for 1 year, subject to unlocking financial contributions (£196k) from other strategic partners in the city, in addition to the £104k to fund 2 additional FTEs to strengthen the existing climate change team.

7.6 The progress of Health and Social Care Integration has continued as new models of delivery start to be implemented across the locality. Manchester Health & Care Commissioning (MHCC) has implemented a further stage of its development with the change of deployment of a number of MCC and CCG roles from MHCC to the Manchester Local Care Organisation (MLCO). This supports the partnership to have a strategic commissioning focus. MLCO now has its Integrated Neighbourhood Teams, and model for Manchester Community Response in place, and is working to further establish the benefits of this integration. These new ways of working still require significant changes in skills, behaviours and cultures. All deployed Council staff continue to remain employees of the Council. The Council has also signed the GM Continuity of Service Protocol which will support the movement of skills and talent across the health and social care sectors in Greater Manchester.

8 Consultation

8.1 As part of the three-year budget setting process which started in 2017/18, more residents than ever before were involved in a conversation about what mattered to them. This information was used to inform the Council's spending plans for the subsequent three years and underpins the budget for 2020/21.

8.2 Although there is no formal requirement to consult residents on this year's budget a commitment was made to ensure that the Council continues to inform and engage residents, businesses and council staff in the budget process. Businesses will also be engaged specifically in conversations about business rates. A public consultation on the budget and proposed council tax increases ran from 6 January to 2 February 2020.

8.3 One of the ways Manchester has engaged this year is through 'Our Manchester Days', these take over days carry on the budget conversation -

focusing on the areas that people told us matter most to them in the budget conversation. They highlight the services commissioned or delivered by the Council and go behind the scenes to meet staff and partners. There will also be targeted information about the budget setting process.

9 Conclusion

9.1 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. The savings required over the next year are £2.837m after taking account of the one off resources 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.

9.2 The Council remains committed to the priorities within the Our Manchester strategy and the Council’s revised corporate plan. The proposed 2020/21 budget reflects changes arising from the Spending Round announcements, the Final Local Government Finance Settlement 2020/21, forecast pay awards, notifications from GMCA and a robust review of all council service spend to realign budgets and identify savings options.

9.3 The draft budget is based on the best information available to date, however there will be potential changes arising from other government funding announcements, such as Public Health and Homelessness.

10 Recommendations

10.1 Detailed recommendations appear at the front of this report.

Appendix 1 - Gross and Net Budgets Directorates Cash Limit Budgets 2020/21

	Gross Budget 2020/21 £000	Net Proposed Budget 2020/21 £000
Children’s Services	464,099	130,320
MHCC Pooled Budget	267,787	216,864
Adult Social Care - Services out of scope of Pooled Budget	7,243	4,389
Homelessness	36,459	15,285
Corporate Core	310,196	69,960
Neighbourhood Directorate*	164,204	63,751
Growth and Development	55,314	7,644
Total	**1,305,302**	**508,213**

Appendix 2 - Savings and Efficiency Proposals 2020/21

Homelessness Directorate

Service Area	**Description of Efficiency/Increased Income/Realignment/Pressure**	**Amount £000**	**FTE Impact (indicative)**
Savings/Efficiencies	A reduction in the cost to the Council of temporary accommodation through transfer to registered providers	1,000	
Pressures	Investment to facilitate the permanent recruitment of staff in posts which support the prevention activity	-1,000	
Net Savings Homelessness Directorate		**0**	

Corporate Core Directorate

Service Area	**Description of Efficiency/Increased Income/Realignment/Pressure**	**Amount £000**	**FTE Impact (indicative)**
Savings/Efficiencies:			
Revenue and Benefits	Delete vacant posts	400	12
Revenue and Benefits	Changes to vacancy factor	228	
Shared Service Centre	Changes to vacancy factor	63	
Customer Services	Changes to vacancy factor	145	
HR/OD	Reduction in staffing	50	1
HR/OD	Changes to vacancy factor	85	
Chief Executive Corporate items	Increase annual leave purchase scheme	96	
Performance Research & Intelligence (PRI)	Reduce data governance project budget	125	
Performance Research & Intelligence (PRI)	Changes to vacancy factor	91	
Communications	Delete vacant posts	50	2
Communications	Changes to vacancy factor	38	
Communications	Senior management changes	18	
Capital Programmes	Increased income	50	
Commissioning and Procurement	Reduced audit fee	30	
ICT	Increase in vacancy factor	76	
City Policy	Reduction in staffing	62	1.4

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
City Policy	Increase in vacancy factor	56	
City Policy	Reduction in non staff budgets	68	
Audit	Changes to vacancy factor	18	
Corporate Budgets	Pension Fund cash flow savings	750	
Corporate Items	Pension fund contribution	450	
Corporate Items	Increased commercial income	500	
Total Savings/Efficiencies		**3,449**	**16.4**
Pressures:			
Revenue & Benefits	Reduction in Enforcement notices	-200	
City Policy	Zero Carbon - staffing	-300	
Our Transformation	Reprofiling in delivery of savings	-500	
Coroners	Investment to support increased caseloads	-400	
Business Support	Investment to cover job evaluation implications	-360	
City Policy	Income pressure	-226	
Communications	Intranet maintenance costs	-50	
Commissioning and Procurement	Realignment of commissioning savings	-150	
Chief Executive Corporate items	HR policy savings	-96	
Shared Service Centre	Reduction in income	-290	
Children's services	Legal cost pressure	-300	
Total Pressures / realignments		**-2,872**	**0**
Net Savings Corporate Core		**577**	**16.4**

Neighbourhoods Directorate

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
Savings/Efficiencies:			
Compliance and Community Safety	Increase income generation through review of fees and charges across compliance	105	0
Highways	Apply the annual Inflationary increase for car parks Joint venture	300	0

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
Highways	Increase permit/license fees (skips, hoardings, scaffold etc) by 3.5%	35	0
Highways	Increase capital programme fees by revising fee model	75	0
Highways	Cease existing car park lease arrangement	1,200	0
Libraries, Galleries and Culture	Galleries exhibition tax relief	40	0
Libraries, Galleries and Culture	Increase income generation across libraries and galleries.	57	0
Parks, Leisure, Youth and Events	Increase pay and display car park income at Heaton Park	20	0
Parks, Leisure, Youth and Events	Increase income from Heaton Park	30	0
Commercial and Operations	Grounds Maintenance - Rationalisation of machinery	20	0
Commercial and Operations	Revised operating model at Piccadilly Market	86	0
Commercial and Operations	Increase volume of external commercial income in pest control	21	0
Commercial and Operations	Increase volume and fees in Bereavement Services by 3.9%	91	0
Directorate Wide	Review of staffing budget below top of grade as appropriate	244	**0**
Total Savings/Efficiencies		**2,324**	**0**
Pressures:			
Neighbourhood Teams	Managing and maintaining additional canal barriers	-25	
Parks, Leisure, Youth and Events	Traffic management and increased security costs	-50	
Operations and Commissioning	Realignment of income budget for Sunday Market Car Boot	-262	
Operations and Commissioning	Realignment of income budget for New Smithfield market	-417	
Total Pressures / realignments		**-754**	**0**
Net Savings Neighbourhoods Directorate		**1,570**	**0**

Growth and Development Directorate

Service Area	Description of Savings/ Efficiency Option	Amount £000	FTE Impact (indicative)
Investment Estate	Additional airport lease income	340	0
Investment Estate	Additional lease income	150	0
Housing and Residential Growth	Income from solar panel feed in tariff	200	0
Net Savings Growth and Development Directorate		**690**	**0**

Appendix 3

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 are 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 its 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 Greater Manchester Combined Authority Mayoral Police and Crime Commissioner (GMCA MPCC) Precept and the Greater Manchester Combined Authority Mayoral General Precept (including Greater Manchester Fire and Rescue Services).

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 Business Rates 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 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 Taxpayers 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 2020/21 to be 118,864.8. 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 in 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 4.0%, (including 2.0% for adult social care) is deemed "excessive" in 2020/21. The Council element is only increasing by 1.99% in 2020/21 not 2.0%. All figures are based on an increase in an authority's "basic amount of council tax" between 2017/18 and 2019/20. The definition of "basic amount" is set out in Section 52ZX, LGFA 1992.

5.3 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. GMCA MPCC or GMCA MF) 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.

5.4 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 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 11 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.

7. CONSTITUTIONAL ARRANGEMENTS

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 12 February. Any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resource and Governance 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. RESTRICTIONS ON VOTING

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 as 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.

Appendix 4 – Reserves

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Schools Reserve	19,069	(259)	1,923	20,733	22,398	22,139	21,880	
General Fund Reserves								
Statutory Reserves	21,734	(10,015)	9,951	21,670	23,424	24,748	26,222	
Earmarked Reserves	296,130	(105,188)	93,695	284,637	264,606	266,671	261,240	
General Fund Reserve	21,420	0	1,597	23,017	23,017	23,017	23,017	
Total General Fund	**339,284**	**(115,203)**	**105,243**	**329,324**	**311,047**	**314,436**	**310,479**	
Housing Revenue Account Reserves:								
Housing Revenue Account General Reserve	73,960	(17,996)	0	55,964	41,748	27,480	25,978	
Major Repairs Reserve	1,240	(1,240)	0	0	0	0	0	
HRA PFI reserve	10,000	0	0	10,000	10,000	10,000	10,000	
HRA Residual liabilities fund	24,000	0	0	24,000	24,000	24,000	24,000	
Housing Insurance reserve	1,789	0	200	1,989	2,189	2,389	2,589	
Total HRA	**110,989**	**(19,236)**	**200**	**91,953**	**77,937**	**63,869**	**62,567**	
TOTAL RESERVES	469,342	(134,698)	107,366	442,010	411,382	400,444	394,926	
SCHOOLS RESERVE								
LMS Reserve	22,916	(259)	0	22,657	22,398	22,139	21,880	School balances assumed year-end position. These are not MCC resource and so cannot be used by MCC. There are no further known schools planning to transfer to academy status.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Dedicated Schools Grant (DSG)	(3,847)	0	1,923	(1,924)	0	0	0	DSG - Allocation to schools and retained Central DSG. £3.847m to be recovered over two years from DSG.
Sub Total Schools	19,069	(259)	1,923	20,733	22,398	22,139	21,880	
STATUTORY RESERVES								
Bus Lane Enforcement Reserve	13,084	(4,275)	4,546	13,355	13,547	13,239	12,931	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	3,881	(5,304)	5,405	3,982	5,852	7,831	9,810	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	2,732	(118)	0	2,614	2,496	2,378	2,260	Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Spinningfields Commuted Sum	607	(9)	0	598	589	580	571	Funds received as part of an agreement to cover maintenance costs.
Great Northern Square Maintenance Fund	283	(20)	0	263	243	223	203	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	17	0	0	17	17	17	17	For future payments for school prizes
Landlord Licensing Reserve	400	(170)	0	230	119	0	0	Smoothing reserve

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Art Fund Reserve	31	0	0	31	31	0	0	For art purchases
Manchester Safeguarding	69	(69)	0	(0)	(0)	(0)	(0)	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG
St Johns Gardens Contingency	630	(50)	0	580	530	480	430	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	**21,734**	**(10,015)**	**9,951**	**21,670**	**23,424**	**24,748**	**26,222**	
EARMARKED RESERVES								
BALANCES HELD FOR PFI'S								
Street Lighting PFI	250	(250)	0	0	0	0	0	Established to fund the requirements over 25 years re: the PFI contract for Street Lighting service via external contractors
Temple PFI	689	(125)	12	576	453	307	307	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	1,351	0	40	1,391	1,431	1,471	1,511	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	**2,290**	**(375)**	**52**	**1,967**	**1,884**	**1,778**	**1,818**	
Reserves directly supporting the revenue budget								
Adult Social Care	7,695	(5,545)	0	2,150	0	0	0	To support Adult and Social Care Improvement Plan

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Social Care Reserve	13,255	(7,135)	920	7,040	1,462	1,462	1,462	To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets
Crime and Disorder	1,080	(540)	0	540	0	0	0	To fund the Anti-Social Behaviour Team
Budget smoothing reserve	10,651	(7,066)	0	3,585	0	0	0	Planned use to smooth the impact of previous funding reductions on the revenue budget
Total held to support the revenue budget	**32,681**	**(20,286)**	**920**	**13,315**	**1,462**	**1,462**	**1,462**	
RESERVES HELD TO SMOOTH RISK / ASSURANCE								
Risks								
Planning Reserve	2,467	(300)	0	2,167	1,867	1,567	1,267	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income drops
Transformation Reserve	9,483	(333)	0	9,150	8,817	8,483	8,149	To support costs of future service change.
Airport Dividend reserve	55,809	(47,080)	47,080	55,809	55,809	55,809	55,809	The income in the reserve is from the Manchester airport dividend which is then used a year in arrears to support the Medium Term Financial Plan

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Land Charges Fees Reserve	320	(320)	0	0	0	0	0	To smooth the budget impact, planned to utilise in 2020/21
Pension Risk Fund	524	0	0	524	0	0	0	To fund external pension liabilities
Manchester International Festival	1,493	0	10,667	12,160	11,160	10,113	9,019	To fund agreed future Manchester International Festivals / Factory grant from the reserve. Grant agreement will be aligned to the Arts Council England funding cycle.
Highways reserve	1,010	(89)	0	921	832	743	654	Funds received as part of developer agreements that will be utilised for highways schemes in future years
Insurance Fund	17,091	(500)	0	16,591	16,091	15,591	15,091	The insurance fund has been established to fund risks that are self-insured.
Fleet Maintenance Reserve	25	(25)	0	0	25	50	0	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Taxi Licensing Reserve	1,000	(1,000)	0	0	0	0	0	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Newton Heath Market Reserve	22	0	0	22	22	22	22	To fund the future market provision

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Rogue Landlord reserve	40	(40)	0	(0)	(0)	(0)	(0)	This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards.
Selective Licensing reserve	346	(165)	0	181	0	0	0	Costs for administering the reputable landlord initiative and ensure compliance
Investment Estate smoothing reserve	1,524	(700)	0	824	824	824	824	To manage budget pressures due to the volatility in investment income.
Business Rates Reserve	22,737	(3,165)	2,754	22,326	19,161	18,671	18,181	To mitigate Business Rates income risk due to the volatility of assumptions
TOTAL Risk/Smooth	**113,891**	**(53,717)**	**60,501**	**120,675**	**114,608**	**111,873**	**109,016**	
RESERVES HELD TO FUND CAPITAL SCHEMES AND OTHER SPECIFIC PROJECT RELATED COSTS								
Investment Reserve	12,623	(2,325)	0	10,298	8,723	7,523	6,323	To deliver priority regeneration projects.
Enterprise zone reserve	1,084	(1,061)	1,500	1,523	1,962	2,401	3,333	To underwrite the borrowing costs for development in the Oxford Road Corridor

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Capital Fund Reserve	68,408	(10,366)	17,559	75,601	75,601	79,425	77,048	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city .
Capital Financing Reserve	34,730	0	5,000	39,730	44,730	49,730	54,730	To reflect increase in borrowing costs due to the Council's capital investment
Eastlands Reserve	3,434	(5,682)	5,118	2,870	2,740	2,941	3,670	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Total to fund capital scheme and other specific relates costs	**120,279**	**(19,434)**	**29,177**	**130,022**	**133,756**	**142,020**	**145,104**	
RESERVES TO SUPPORT GROWTH AND REFORM								
Integration Reserve	2,343	(1,273)	0	1,070	1,070	1,070	1,070	The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Town Hall Reserve	10,668	(3,185)	2,400	9,883	7,467	5,041	0	To fund commitments for the Town Hall Complex Programme
Troubled Families Reserve	1,332	(1,332)	0	0	0	0	0	This was set up to support the scaling up on the community budgets work
Our Manchester reserve	3,570	(2,556)	530	1,544	0	0	0	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
TOTAL	**17,913**	**(8,346)**	**2,930**	**12,497**	**8,537**	**6,111**	**1,070**	
GRANTS USED OVER ONE YEAR								
English Partnership (Homes and Communities Agency)	1,019	(457)	0	562	0	0	0	HCA approval required to Fund Development appraisal and Eastland's Project team
Other Grants and Contributions - Neighbourhood Services	289	(110)	0	179	89	0	0	Various local Environment scheme and initiatives i.e. 'clean up campaigns'
Emergency Planning	367	(167)	0	200	100	0	0	Relates to various ongoing Civil Contingencies schemes
Other Grants and Contributions- Growth and Development	89	(89)	0	0	0	0	0	Unspent grant received in previous year
Fraud Fund	136	(80)	0	56	0	0	0	Unspent grant received in previous year
Asylum Seekers	359	(71)	0	288	192	92	0	This will fund the Local Authority Asylum Support Officer (LAASLO) project.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Collection Initiatives Reserve	824	(231)	0	593	493	393	293	Small reserves on Corporate Core
MAES Reserve	2,562	(500)	0	2,062	1,562	1,062	562	To fund Manchester Adult Education Services (MAES)
Flood management reserve	37	(37)	0	0	0	0	0	Unspent grant received in previous year
Brexit - Local Resilience Forum	201	(201)	0	0	0	0	0	To fund BREXIT related costs that fall across more than one year
Brexit Reserve	105	(105)	0	0	0	0	0	To fund BREXIT related costs that fall across more than one year
TOTAL	**5,988**	**(2,048)**	**0**	**3,940**	**2,436**	**1,547**	**855**	
SMALL SPECIFIC RESERVES								
Catering Reserve	151	0	0	151	0	0	0	Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens.
Nuclear Free Zone	47	(5)	0	42	37	32	27	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Carbon Reduction Reserve	227	(227)	0	0	0	0	0	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan which is due to be approved by the Executive in Spring 2020. This will include service specific training to support staff in identifying the carbon impact of investment plans, development of business plans for external funding and accessing support for the Council to develop innovative approaches to our future zero carbon energy needs.
New Smithfield Market - Car Boot	256	(45)	55	266	276	286	296	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	441	0	40	481	521	561	601	To purchase land for burials
Primary School Catering Reserve	313	(313)	0	0	0	0	0	Reserve established to support the Service's competiveness by smoothing school meal prices during the 3 year price planning period.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Catering Repairs and Maintenance Insurance Account	166	(5)	0	161	54	54	54	Reserve established to meet refurbishment cost of school kitchens.
Councils with ALMOs Group (CWAG) Reserve	66	(10)	0	56	46	36	26	Held in relation to the running costs of the Council With ALMOs Group which is administered by MCC
Graves and Memorials	97	0	0	97	97	97	97	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	121			121	121	121	121	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	340	(31)	0	309	234	156	156	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.
Community Safety Reserve	468	(250)	0	218	218	218	218	A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police.
Litter Reserve (Fixed Penalty Notices)	65	0	0	65	65	65	65	Revenue collected from enforcement activity is ring-fenced to functions related to litter.
Great Ancoats Management Improvement Reserve	206	0	0	206	206	206	206	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Social Value Fund	96	(96)	20	20	20	20	20	New Reserves for Social Funding income from successful tenders
Other Small Specific reserves	28	0	0	28	28	28	28	Small specific reserves
Total Small Specific Reserves	**3,088**	**(982)**	**115**	**2,221**	**1,923**	**1,880**	**1,915**	
TOTAL EARMARKED RESERVES	**296,130**	**(105,188)**	**93,695**	**284,637**	**264,606**	**266,671**	**261,240**	
Total General Fund Reserves	**339,284**	**(115,203)**	**105,243**	**329,324**	**311,047**	**314,436**	**310,479**	

Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020
Resources and Governance Scrutiny Committee – 24 February 2020

Subject: Budget 2020/21 – Covering Report

Report of: Chief Executive and City Treasurer

Purpose of the Report

The 2020/21 Budget is a one year budget following the Government's decision to announce a one year spending round 4 September 2019 followed by a one year Local Government Finance Settlement, 2020/21 released on 6 February 2020. The proposed 2020/21 budget will continue to reflect the priorities identified in the three-year budget strategy 2017-20 and as set out in the Corporate Plan. These have been updated to include action required to address the climate emergency declared by the Council. This report sets out the context including:

- The priorities that shaped the three year Strategy
- Progress to date, building on the recent State of the City analysis
- A summary of the financial position
- The required statutory assessment of the robustness of the proposed budget

Recommendation

The Executive is requested to consider the Revenue Budget Reports 2020/21 and Capital Strategy 2020-2024 elsewhere on the agenda in the context of the overarching framework of this report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The proposed 2020/21 budget will reflect the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive	This report sets out the Strategic Framework for the delivery of a balanced budget for

economy that creates jobs and opportunities.	2020/21. The Framework is aligned to the priorities of the Our Manchester 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 – as detailed in the report.
Legal Considerations – as detailed in the report.

Financial Consequences – Revenue and Capital

This report provides the framework for Revenue and Capital planning from 2020/21.

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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.

None

1 Introduction

1.1 At its meeting on 13 February 2019 Executive agreed to the 2019/20 budget, which was the final year in the three year budget strategy for 2017-20. It was expected that there would be a spending review in 2019, resulting in a new multi-year settlement from 2020/21. However this did not happen and a one year spending round was announced on 4 September 2019. The Final Local Government Finance Settlement 2020/21 was released on 6 February 2020. This report sets out the context including:

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

2 Priorities and Context

2.1 The priorities for the Council are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to support a change in the way that services are delivered and in the relationship between the Council and the people of Manchester.

2.2 The three year budget strategy was agreed at a time when the City and the Region had additional powers devolved for transport, skills, health and housing which provided significant opportunities. But whilst there continues to be progress in growing the Manchester economy there is still a long way to go to tackle the legacy of deprivation that remains. The need to restructure the City's economy and eliminate the level of exclusion which a high proportion of residents still experience through unemployment, low skills and low paid unstable work helped shape the Our Manchester Strategy and remains the priority.

2.3 The Our Manchester ten year ambitions are the touchstone when decisions are taken about what to prioritise, and set the framework for the Medium Term Financial and Capital Strategies. Our Manchester seeks to make Manchester a city that is:

- 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

2.4 The challenge remains to continue to provide services when the population is increasing and the resources available to the Council are not at the required levels. The State of the City Report published in 2019 set out the progress made against Our Manchester, this is summarised in section 3. The proposed 2020/21 budget will continue to reflect the priorities identified in the three-year budget strategy and as set out in the Corporate Plan. The plan was updated in December 2019 to include action required to address the city's zero carbon ambitions and climate emergency declared by the Council. The Corporate Plan has provided the framework for the budget and Single Council Business Plan.

2.5 The Single Council Business Plan 2020/21 describes in more detail the action being taken to deliver the Corporate Plan this year. The plan is structured around the eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council. The plan also describes the Council's key workforce and technology considerations for 2020/21 as key enablers to delivering our Corporate Plan. Equalities implications are also described as well as our approach to risk management.

2.6 A number of key activities will support delivery of a number of our Corporate Plan priorities including:

- Delivery of the approach to place-based reform in Manchester - Bringing Services Together for People in Places
- Integration of Health and Social Care through partnership arrangements with the NHS
- Delivery of the Local Industrial Strategy which will deliver inclusive and green growth for the city of Manchester
- Delivery of Our Transformation - a new Council-wide portfolio of programmes which have been set up with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a 'well managed council'
- Continuing to ensure that the 'Our Manchester' approach is the way we do things here, rather than a thing we do

2.7 Finally the Medium Term Financial Plan and Capital Strategy have been updated to reflect the 2019/20 budget position. There has also been additional funding, particularly for social care, made available through the Spending Round and the Local Government Finance Settlement 2020/21. Whilst the Government has provided some additional funding to address the pressures local authorities are facing for social care, this is insufficient to meet the underlying increases in need and there is no longer term solution beyond 2020/21.

2.8 Although the net savings proposals for 2020/21 are lower than previous years, at £2.8m, the fact remains that this continues to be a period of austerity. Rising demand for services has been experienced in 2019/20 and is expected to continue next year. In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service efficiencies identified in those areas have been used to help achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for possible changes from 2021/22 onwards. The need to make budget reductions is expected to continue over the next five years. The Local Government Association is estimating that by 2025 Local Government Services face a funding gap of at least £7.8bn, just to stand still, much of this relating to social care.

3 Progress on Delivering the Our Manchester Strategy

A Thriving City, Buzzing with Connections

3.1 Manchester's population has grown rapidly over the past year with an estimated 575,400 residents in 2019[1] , projected to reach upwards of 660,000 by 2028. This growth has been concentrated in and around the city centre. The number of children living in Manchester has also grown, leading to an increased demand for primary and secondary school places and this is reflected in the investment in school expansion and new schools. International migration continues to be a key driver of the city's growing population. However, the extent of this future growth will depend upon a range of external factors, including the position of the United Kingdom (UK) outside the European Union. Some immediate risks of impact - those that could arise due to a 'no deal' Brexit - have receded, due to the UK exit date of 31 January 2020 with a withdrawal agreement. However, it is unknown what arrangements will have been agreed about what the future relationship of the UK with the EU will eventually look like by the end of the transition period on 31 December 2020. Therefore, potential impacts on sectors such as social care and hospitality remain a real concern.

3.2 Manchester is continuing to work to shape the 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. In September 2019, the Council adopted its *"Developing a More Inclusive Economy – Our Manchester Industrial Strategy"* which sets out Manchester's vision and delivery plan for developing a more inclusive economy. The Council's Capital Strategy makes the development of a more inclusive economy a key investment priority, through major developments in the city such as the Northern and Eastern Gateways, and through the use of progressive procurement policies and the creation of social value when investing.

3.3 An integrated, attractive and affordable transport network is needed to enable residents to access jobs and improve their health through increasing levels of active travel. There continues to be an increasing demand for travel in the city centre using sustainable travel modes. A refreshed *City Centre Transport Strategy* is in preparation to take account of: the ongoing and future predicted growth of the city centre, the *Greater Manchester Transport Strategy 2040*, and the ambition to be a zero carbon city by 2038 at the latest. Recent

[1] MCC Forecasting Model W2018

developments include the anticipated opening ahead of schedule - in April 2020 - of the new £350m Metrolink Trafford Park Line.

3.4 Manchester’s economy has continued to grow, with its performance exceeding that of both Greater Manchester and the UK as a whole. Manchester’s growth sectors in terms of Gross Value Added (GVA) and number of jobs have remained fairly consistent over recent years, but there have been some changes in the latest publication of the Greater Manchester Forecasting Model (2018). Business, financial and professional services; and cultural, creative and digital are still two of the major growth sectors, but both construction, and wholesale and retail are now the other growth sectors replacing science, research and development. Construction in particular is now projected to grow at a significant rate, driven by some of the major developments in the city.

3.5 The creative industries across the UK are the fastest-growing economic sector and are recognised as being vital to the success of Manchester. A top-class cultural offer is vital to the international positioning and profile of the city. The significant government and Council investment in The Factory will provide an international arts venue that is unmatched outside of London and should see GVA, visitors and jobs increase.

3.6 Major developments in the city centre include Mayfield, St John’s, Great Jackson Street, Piccadilly, First Street, and Circle Square. Key successes include the Oxford Road Corridor, which continues to attract new occupants to the cohesive cluster of science and technology businesses, academics, clinicians and world-leading health institutions.

3.7 Digital connectivity continues to improve for residents and businesses. Despite this, there is still a need to increase broadband coverage and deliver full-fibre coverage across Manchester at a faster pace to secure the city’s status as a leading digital centre. The ICT Strategy will include investment to support the roll out of Full Fibre. The Council is currently working to secure funding from the Local Full Fibre Network (LFFN) Program, and is in discussions with the Department for Digital, Culture, Media and Sport (DCMS) with regard to the award of funds in the near future.

A City that is Filled with Talent

3.8 A highly skilled workforce is fundamental to creating an inclusive economy in Manchester. Upskilling the city’s population is also vitally important in reducing levels of dependency by ensuring that more people have the opportunity to access high quality jobs and share in the city’s economic growth.

3.9 The city’s employment offer has continued to increase and diversify; in 2018, there were 400,000 employees working in the city, an increase of 12% since 2015. This growth has been driven by success in a number of the city’s key growth sectors: science and research and development; cultural, creative and digital; and business, financial and professional services. Manchester has a higher than national average proportion of residents qualified to degree level and above. However, although the proportion with no qualifications has improved since 2015 (12.4%), in 2018 this was still 10.5%, compared to a national rate of 8%. The £90 gap between resident and workplace gross weekly wage is the largest of English core cities. In 2019 an estimated 13.1% of employees working in Manchester were paid less than the Living Wage Foundation Real Living Wage of £9 an hour. For employees living in Manchester that percentage was estimated to be 21.8%. The Family Poverty Strategy (2017-2022) was developed to address poverty in Manchester, which is a major challenge affecting many of the city's families.

3.10 Enabling all residents, which include the City's children, young people and their families to share in the City's economic success by getting good jobs will require further improvements in early years services, schools and skills and employment programmes. After a number of years of sustained improvement primary schools have seen a dip in attainment outcomes in 2019, the percentage of pupils achieving the expected standard in combined reading, writing and maths at KS2 has dropped in 2019, widening the gap with the national average. Although improvements have been sustained at secondary schools, Manchester still has a lower number of pupils achieving GCSEs in English and Maths and a lower Attainment 8 and progress 8 level than the national average. There is ongoing work with schools and system leaders to improve attainment results with a particular focus on reading. The number of schools judged to be good or better is increasing and is above the national average with 90% of Manchester schools judged to be good or better.

3.11 Work is taking place to ensure that education and training is aligned with the skills 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 continue to be a top priority. Capital investment in schools will continue with investment in the primary and secondary estate to create new places and to provide permanent accommodation where schools are currently using temporary facilities.

3.12 There are some direct links between low skills and a low-wage economy, and this is an area where some progress is being made in ensuring that everyone is paid at least a living wage. The Council was successfully accredited as a Living Wage Employer by the National Living Wage Foundation in November 2019. The Council is also supporting Manchester College to provide a city centre campus that will support residents to achieve the skills required to match the jobs being created.

A Fair City

3.13 The vision is to build a safe, happy, healthy and successful future for children and young people. Progress has been achieved in Children's Social Care services, characterised by the Ofsted judgement in December 2017 that services to children and young people looked after and those in need of help and protection are no longer inadequate. However the increasing number of children and young people being looked after is putting a significant strain on the Council's budget. Manchester has recently refreshed its approach to early help which can enable children, young people and their families to achieve their potential and reduce demand on more reactive and expensive services. Some of the additional one-off funding the council has received will be used to increase the budget in these areas.

3.14 Tackling homelessness is fundamental to the Our Manchester Strategy. There has been a significant increase in the numbers of households who are homeless in Manchester including families, single people, young people, and people who are rough sleeping. This trend is also reflected nationally. The rollout of Universal Credit, welfare reform, the capping of the Local Housing Allowance and the Homelessness Reduction Act 2017 which came into force in April 2018 have all led to further demand on services. The demand for social housing in the city and the lack of good quality, affordable private rented sector housing has led to many people being trapped within homelessness and poverty.

3.15 The scale of staffing funded through short-term funding streams represents a significant risk to the ability of the service to deliver priorities, improve outcomes for people and also meet statutory duties. It is proposed that investment of c£1m is provided in 2020/21 to facilitate the permanent recruitment of staff in posts which support the prevention activity funded from a reduction in the spending on temporary accommodation. This is predicated on continued success in securing central government funding from the Rough Sleeper Initiative of £0.5m in 2020/21 to continue the success in reducing the numbers of people sleeping rough on our streets

3.16 Dispersed temporary accommodation placements have increased by 106 since March 2019 to 1,597 in October 2019. The number of homelessness presentations in Manchester continues to rise. Presentations for Quarter 2 are 2,525, the highest recorded in any quarter and 27% higher than at this stage in 2018/19. Funding for increased need of £0.979m has been applied to support the budget position based on estimated growth in demand since the start of the year.

3.17 A spending reduction on temporary accommodation of £1m in 2020/21 is estimated from a reduction in the cost to the Council of temporary accommodation. This is based on 100 existing properties being managed by Registered Providers (RPs) by end of March 2020, increasing to 200 by June 2020, 300 by September and 400 by December 2020. Further discussions are being undertaken with housing providers, including an option to utilise the GM Ethical Lettings Agency (operated through GM Housing Providers). The option under consideration would target transfer of properties outside of the city boundaries, thereby further reducing the Council's reputational as well as financial risk. The approach with RPs has been agreed in principle and financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.

3.18 Economic improvements have not been matched by similar improvements in health outcomes. People living in Manchester experience higher levels of ill health and early death than other major cities and local authorities in England. Life expectancy is 7.7 years lower for men and 7.6 years lower for women in the most deprived areas of Manchester than in the least deprived areas. The Manchester Population Health Plan[2] describes how the Council will work with partners to deliver improved health outcomes and reduced inequalities.

3.19 The original Locality Plan: Our Healthier Manchester, produced in 2016, set out the ambition to improve health and care outcomes for the people of Manchester within a financially sustainable health and social care system. The initial focus led to a rationalisation of the Manchester system, through the creation of a single commissioning function, a single hospital service, and a local care organisation (LCO). Greater Manchester Mental Health Trust replaced the previous provider as the lead for delivering mental health services in Manchester.

3.20 The updated Locality Plan (April 2018), set within the context of the city's Our Manchester strategy, shifted the emphasis away from structural change to a focus on Our People, Our Services and Our Outcomes. The Locality Plan is now being refreshed again, to reflect the place-based approach to public services across Greater Manchester (Bringing Services Together for People in Places in Manchester) and the requirements of the NHS Long Term Plan.

3.21 In April 2018, the new Manchester Local Care Organisation (MLCO) – a partnership between the Council and a range of health organisations – took over the running of statutory community health and adult social-care services and delivers integrated and accessible out-of-hospital services across the city's 12 neighbourhoods, providing integrated services that will improve outcomes at a reduced cost. A key role for MLCO is preventing inappropriate admissions and facilitating timely discharge from hospital which is being facilitated by seasonal pressures funding. In addition, the Council has invested directly into adult social care to ensure that timely access to adult social care services is available for those who need them.

3.18 MLCO has developed a number of new care models designed to improve outcomes and services for residents, and reduce demand for high cost services. Evaluations to date have shown emerging evidence of reduce demand, for example:

- Manchester Case Management (previously known as High Impact Primary Care) has shown, through a quantitative analysis of hospital activity, a statistically significant reduction in Accident and Emergency attendances post service start
- Reablement has shown that for the cohort of people who have had Reablement service during 2018/19 financial year and went on to have a home care package after leaving Reablement had, on average, 26% fewer homecare visits and 22% fewer homecare hours during the 6 months post reablement
- ExtraCare has shown that neighbourhood apartments have likely necessitated up to 1,200 fewer days of residential / nursing care to the wider health and care system

[2] http://www.manchester.gov.uk/healthplan

A Great Place to Live

3.22 Manchester's future success is inextricably linked to whether it is a great place to live. The City's different neighbourhoods need the right mix of housing that people can afford, good schools, parks, sports and cultural facilities, roads and transport links and streets and public spaces free of litter and antisocial behaviour. Residents have identified through the Our Manchester Survey that they value their local assets with satisfaction with services mirroring the quality of available shops and amenities, green spaces, libraries and health services. The Capital Strategy includes the further planned investment in the city's parks, leisure facilities and libraries as well as the £100m investment programme to improve the condition of the city's roads and footpaths. Further investment to reduce litter and fly tipping is prioritised in the updated Budget Strategy.

3.23 The housing pipeline is continuing to deliver new homes at scale across the city with over 4,000 new homes expected to complete in 2019/20 (up from c.3,000 in 2018/19). Manchester's housing delivery is now competing with some of the fastest growing London boroughs with just Greenwich & Tower Hamlets delivering more units in 2018/19. This success is expected to continue with investment in the Northern Gateway (a joint venture between the Council and the Far East Consortium) in particular providing an opportunity to unlock large scale, high volume, multi-tenure housing sites with the potential to deliver up to 15,000 new homes over the next 15 years.

3.24 The Housing Strategy includes a housing growth target of 32,000 new homes between April 2015 and March 2025 including a minimum 6,400 affordable homes. Of the latter 3,000 are either delivered, on site or committed to be delivered by March 2021 with a further minimum of 3,400 to be delivered by March 2025 through use of Council land, Registered Social Landlord partner resources and investment capacity in the Housing Revenue Account. Achieving this target is dependent on the government funding in these areas being available. The city's overall annual housing target will continue to be met in the short-term but maintaining supply will require ongoing investment in key infrastructure in, for example, the Eastern and Northern Gateways in order to unlock housing sites.

3.25 In respect of Climate Change, the Council's direct carbon emissions in 2018/19 were 48.1% lower than in 2009/10, exceeding our carbon emission reduction target of 41% by March 2020 a year ahead of schedule. In November 2018 the Council worked with the Tyndall Centre for Climate Change Research at the University of Manchester to develop science-based carbon emission reduction targets to ensure that Manchester plays its full part in reaching the UKs commitment to the Paris Agreement. As such, the city and the Council adopted a science-based carbon budget limiting the city's CO_2 emissions to no more than 15 million tonnes between 2018 and 2100 and committed the city to becoming zero carbon by 2038 at the latest. This means reducing emissions by approximately 13% each year, in effect halving them over the next five years. This target is 12 years earlier than the national 2050 target.

3.26 In July 2019 the Council declared a climate emergency recognising that urgent action needs to be taken to reduce the city's carbon emissions and mitigate the negative impacts of climate change. Following the declaration of a climate emergency, the Council established a Zero Carbon Coordination Group (ZCCG) to drive forward the integrated activity required to ensure that the Council plays its full part in ensuring the city reaches its ambitious climate change commitments. The city and the Council are currently in the process of developing a robust Zero Carbon Action Plan 2020-25. This will outline the activity that needs to take place to reduce both our direct emissions (from our operational estate, street lighting, waste fleet and transport activities) and how we will lead the city in reducing its emissions.

3.27 We recognised that the Council has a wide range of policy-making and regulatory functions and that many of these already include aspects that encourage low carbon behaviours and activities. In order for the Council and the city to be zero carbon by 2038 we will ensure that all key decisions the Council makes and policies and procedures we implement will support this ambition. Manchester City Council only has direct control over a small percentage of emissions in the city (our direct emissions). As such how we work with and influence others to also play their full part in responding to the climate emergency will be vital in the wider city achieving its zero carbon ambitions. We will work with and exert our influence on as many organisations and individuals as possible in the way services are designed, delivered and communicated and creating opportunities to encourage and support partners and residents to play a key role in achieving the city's climate change objectives.

3.28 Whilst there has been an overall improvement in air quality in recent years, parts of Manchester are still exceeding the legal limits for nitrogen dioxide (NO_2). The Greater Manchester Clean Air Plan Outline Business Case was submitted to the Government in March 2019. It proposes a package of measures that will deliver compliance across Greater Manchester, including a charging Clean Air Zone targeting the most polluting commercial vehicles, funds to provide financial support for the upgrade of non-compliant vehicles to support local businesses, taxis and buses, and investment in an additional 600 Electric Vehicle charging points. A Full Business Case is being developed for approval by the 10 Greater Manchester Local Authorities and, subject to Government approval, it is anticipated that funding measures would be available from 2020, with the Clean Air Zone being introduced from 2021.

3.29 Our Corporate Plan priorities have been refreshed for 2020-21 to reflect the city's zero carbon ambitions and declaration of the climate emergency, the launch of the local industrial strategy for the city, the headlines from the 2019 State of the City report, and the planning for internal transformation.

3.30 Our Corporate Plan priorities going forward are, in no particular order of importance:

Theme	Priority
Zero carbon Manchester *Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide*	• Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met
	• Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan
	• Contribute to improvements in air quality across Manchester required in the Clean Air Plan
Young people *From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better*	• Ensure all children have high-quality education
	• Support more Manchester children to have the best possible start in life and be ready for school and adulthood
	• Reduce the number of children needing a statutory service.
	• Reduce the number of children growing up in family poverty
Healthy, cared-for people *Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives*	• Support Mancunians to be healthy, well and safe
	• Improve health and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally, delivering new models of care.
	• Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	• Accelerate and sustain delivery of more housing
	• Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes
Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	• Enable clean, safe, vibrant neighbourhoods
Connections *Connect Manchester people and places through good-*	• Improve public transport and highways, and make them more sustainable

quality roads, sustainable transport and better digital networks	● Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy.
Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	● Support good-quality job creation for residents, and effective pathways into those jobs.
	● Facilitate economic growth of the city
Well-managed council *Support our people to be the best and make the most of our resources*	● Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
	● Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in demand through reform, and generating income

4 **Financial Context**

4.1 The budget for 2020/21 is being set in a period of austerity which began with the 2011/12 Budget. The Local Government Association has calculated that by 2020 Local Government will have delivered £16bn in savings to the Treasury, whilst also absorbing inflationary increases, maintaining the delivery of services to communities and facing increasing Social Care demands. Between 2010/11 to 2019/20 the Council's Spending Power (as defined by government) has reduced by £179m (29%) compared to an England average reduction of 16%. This has resulted in required budget cuts of £372m from 2010/11 to 2019/20 inclusive, after taking into account inflation and rising demand, and a reduction of almost 4,000 full time equivalent staff (around 40% of the workforce). Recent years' cuts have been less severe but local government spending is still much lower in real-terms than it was in 2010.

Table One: Savings requirement

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	**Total £m**
Savings Planned	107	61	36	30	55	26	17	25	15	**372**

4.2 In order to become more resilient and self-reliant the Council has had to maximise the revenues available to it including the below:

- Manchester has been a business rates growth retention and 100%

retention pilot. The latter means that the Council retains 100% of the additional business rates growth achieved during the 3 year pilot period 2017 - 20. Additional retained growth was £10.4m in 2017/18, £9.8m in 2018/19 and is estimated at £8.7m in 2019/20. Additionally there was a £6m return from GMCA in 2018/19, and a further £4.8m is proposed for 2019/20, subject to GMCA approval at its meeting on 14 February, which has been made available to support the budget over the next two years. It has been confirmed the pilot will continue for 2020/21.

- The Council's commercial investments have generated dividend income of £71m in 2019/20 (predominantly but not exclusively from the Airport), and net income from the commercial estate of c£12m per annum, both of which are supporting the revenue budget. Proceeds from loans to the airport advanced in 2018/19 are contributing a net £5m each year to support capital financing costs.

- The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of over 3% for the past 5 years. Over 60% of the new city centre housing is at a council tax band of C or above compared with 20% in the rest of the city, contributing to increasing the council tax base which is essential to the longer term financial sustainability of the Council.

Update of the 2020/21 Budget

4.3 Despite the pressures being faced the Council remains determined to deliver the agreed priorities for Manchester. The budget is not just about how to manage within available resources but also on where funding should be invested to deliver on resident priorities and working with partners to jointly develop new ways of delivering services such as prevention and early help, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances - and in so doing reducing the need for more costly support in the future. The difficult balance has to be maintained between protecting investment to generate growth (and grow the revenues available to the Council), provide high quality universal services and to protect the most vulnerable.

4.4 The report to Executive in January 2020 set out the current budget position based on officer proposals to balance the budget which went through the January Scrutiny Committee process, updated for the Final Local Government Finance Settlement received 6 February 2020. The proposals included net savings of £2.8 m in 2020/21 identified in the Corporate Core, Neighbourhood Services and Growth and Development, all of which has in effect gone to support increased costs in Adult Care, Children's Services and Homelessness support. These are being found through a combination of efficiencies, income generation and innovation and should not impact on frontline services to residents.

4.5 The proposals would enable a balanced budget to be achieved for 2020/21, as shown in the table below.

Table Two: Budget Position 2019/20 (Latest) and 2020/21 (Proposed)

	2019/20 Original £000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non ring fenced Grants	54,426	65,752	66,717
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of other Reserves	12,859	12,859	21,481
Total Resources Available	**610,835**	**622,161**	**665,100**
Resources Required			
Corporate Costs			
Levies / Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
Subtotal Corporate Costs	***123,164***	***133,740***	***135,032***
Directorate Costs			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
Subtotal Directorate Costs	***487,671***	***488,421***	***530,068***
Total Resources Required	**610,835**	**622,161**	**665,100**
Shortfall / (surplus)	**0**	**0**	**0**

4.6 The full detail of the Council's budget is set out in the following reports which are also on the agenda:

- The Medium Term Financial Plan (MTFP)
- Budget Reports (Children and Education Services; Adult Social Care and Population Health; Homelessness; Neighbourhood Services; Growth and Development; and the Corporate Core)
- Capital Strategy and Budget
- Housing Revenue Account
- Dedicated Schools Grant

- Treasury Management Strategy and Annual Investment Strategy
- The Single Council Business Plan

4.7 The table below shows which scrutiny committees have considered which scrutiny business plans. The reports have been tailored to the remit of each scrutiny as shown in the table below.

Table Four: Scrutiny Reports

Date	Meeting	Budget Paper
	Resources and Governance Scrutiny Committee	Report covering the Corporate Core and the relevant parts of Growth and Development Directorate (Operational and Investment estate and facilities management)
	Health Scrutiny Committee	Adult Social Care and Population Health This is supplemented by: ● Draft MHCC Plan on Page, Joint Budget Report 2020/21 and refreshed Manchester Locality Plan ● Summary of draft MLCO Operating Plan 2020/21
5 February	Children and Young People Scrutiny Committee	Children and Education Services
5 February	Neighbourhoods and Environment Scrutiny Committee	Report covering Neighbourhoods and Relevant services from Growth and Development (Housing and Residential growth)
		Homelessness report
6 February	Economy Scrutiny Committee	Report covering Growth and Development and the relevant parts of Neighbourhoods (Business Units) and Housing and Residential growth
6 February	Communities and Equalities Scrutiny Committee	Report covering Neighbourhoods

Budget Beyond 2020/21

4.8 There is no certainty over either the quantum or distribution of local government funding after 2020/21. In 2020 the Government plans to carry out a multi-year Spending Review, there is no detail on the timeline and process. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement sets out the distribution to individual local authorities. On 7 January 2020 Local Government Minister said the Spending Review will not just settle the amount of resources available to local government over the period and the approach to distributing these, but also important related questions including:

- which programmes are the most effective in delivering outcomes for local communities
- how to balance resources for mainstream programmes with much-needed investment in prevention
- what is the best approach to incentivising local housing supply and economic growth. Government have already committed to reform of the New Homes Bonus
- how to provide the certainty to support investment in improving services
- how best to support local authorities to improve; helping them become more efficient and transform services around the needs of local people.

4.9 Alongside the Spending Review the Government has reiterated its intention to carry out several reforms to the local government finance system which were due to be implemented in April 2020, the government is now aiming to implement these reforms in 2021/22. This includes:

- Introducing reforms to the administration of the business rates system, with the intention of increasing stability and certainty. This is intended to remove the volatility of appeals from Local Authorities.
- Increasing the proportion of business rates retained by the sector nationally from 50% to 75% to incentivise growth and investment in local economies. Manchester is part of the Greater Manchester pilot retaining 100% locally for the four year period 2017-21. It is likely that this pilot will end in 2021/22 and the baseline for growth will be reset. This could result in a loss of income, depending on the formula used to redistribute growth and any transition arrangements.
- Fair Funding Review - Reviewing the funding formula that determines settlement funding allocations for each local authority, including an updated assessment of relative needs and resources. Funding will largely be comprised of retained business rates and either a government top up is received or a surplus of business rates is paid back for redistribution based on the formula. Of concern is the suggestion the current use of deprivation factors to allocate funding may be reduced. This is a key driver of spend and Manchester will be significantly disadvantaged if this goes ahead. The government will be releasing further consultation and some exemplifications to allow dialogue on technical issues. On 24 January 2020 the Local Government Association released an exemplification for adult social care funding based research by the Personal Social Services Research Unit (PSSR); and which is expected to inform the individual Local

Authority allocations. This calculation has been widely reported and shows a potential reduction in funding of c14% overall for Manchester. At 2018/19 national spend levels (on which the exemplification is based) this would equate to a cut of around £22m, though it is noted the weighting of Adults in the 2021/22 formula is yet to be determined. It is recognised that this is just one element of the overall funding envelope for Local Government, but nevertheless is very concerning for Manchester. It is expected that there will be time limited transition funding. However, at this stage, the Government is yet to announce its formal proposals.

4.10 Other national risks to the future funding position include:

- The economic and service impact of Brexit following the trade agreement and new partnership with the EU, expected to be in place by the end of December 2020.
- Sustainable funding solution for adult social care - There is no clear indication of the government's plans other than a Queens Speech commitment to a long term solution that commands cross-party consensus. The social care funding streams which are at risk after 2020/21 are significant for Manchester and include £30.8m for the Improved Better Care Fund (incorporating Winter Pressures) and £17.6m Children's and Adults Social Care Support Grant. It is possible these grants will be rolled into the Local Government Settlement however if this is the case they are likely to be allocated on the new funding formulas which brings its own risk, as per the previous paragraph.
- Business Rates Reform - On 7 January 2020 the Local Government Minister reiterated the government commitment to carrying out a fundamental review of the business rates tax. Local government perspectives will be considered in the review including how business rates income is used and how it meets Councils' funding needs. The timeline for this review is not yet known.

5 <u>Budget Calculations: report on robustness of estimates and adequacy of proposed financial reserves</u>

5.1 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The Council's CFO's report in relation to the robustness of the estimates and adequacy of the reserves is set out below.

Robustness of the Estimates

5.2 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.

5.3 The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical. The CFO 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 key risks identified to the delivery of a balanced budget and their mitigation are set out in the table below.

Risk	Mitigation
Non Delivery of Savings	A detailed review of social care related savings which were not delivered in 2019/20 and the impact for 2020/21 has been carried out with revised proposals contained within the budget. As outlined above robust monitoring arrangements are in place to enable early corrective action to be taken. Such action in 2019/20 has successfully reduced the overspend position.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding of c£13m in 2020/21 for Social Care and Council resources have been used to provide more funding in these areas based on a reassessment of demand. Funding received in 2019/20 has been smoothed over three years with a reserve to cover future demand.
Volatility of resource base including business rates	As the Council becomes more reliant on locally raised resources and commercial income it is more susceptible to any downturn in the economy. To mitigate the risk the majority of the airport dividend is used a year in arrears and a business rates reserve has been established. The position on all these income streams is closely reviewed each month and reported to the Senior Management Team and Executive Members.
Delivery of a balanced budget beyond 2020/21	Longer term scenario planning has started to address the uncertainty beyond 2020/21. In addition, the 2019/20 budget established specific reserves to fund social care over a three year period, to avoid cliff edges and provide time to plan dependant on the outcome of the national funding changes and BREXIT impact. It is expected that changes to the financial settlement will be supported through transition funding to avoid significant annual reductions.

Impact of Brexit	The potential effects of Brexit on the Council are currently un-quantified but could impact on revenue budgets, capital projects, treasury management and the pension scheme. As the risks associated with BREXIT are so difficult to quantify the approach, in line with a number of local authorities is to build up the level of the business rates reserve and protect the level of the General Fund reserve to help mitigate any adverse impact. More detailed planning and risk assessments for the different scenarios are being carried out within GM and Manchester.
Overspend on significant capital projects	The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability. There are strong governance arrangements underpinning the decision making process, all capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications. The capital programme is monitored monthly, with quarterly reports to Executive. There are specific programme and risk management arrangements in place to assess individual projects and to oversee their completion. The Strategic Capital Board receives monthly updates from each directorate board on each board's part of the capital programme, detailing financial forecasts, risks, and expected outcomes. By reviewing projects regularly, such monitoring can be used to support future actions, including the estimation of future costs and mitigations as necessary.

5.4 The Council has a well developed corporate risk register and a financial risk register that is reviewed monthly. Each Service Head has carried out an individual risk assessment of their budgets incorporated into the Risk Registers contained within the Business Plans.

5.5 It is the opinion of the CFO 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. 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 considered to be a prudent provision.

5.6 The CFO 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 CFO 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.

5.7 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.

Adequacy of the proposed Financial Reserves

5.8 The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to "smooth" expenditure across years. It is currently estimated that the balance on the reserve at 1 April 2020 will be £21.4m based on monitoring to end of December. The level of the un-earmarked General Fund reserve held has been risk assessed by the CFO and is felt to be prudent given the level of volatility in Council funding streams such as business rates and general uncertainty over the levels of funding available going forwards. There are a number of risks as set out in previously in paragraph 5.3.

5.9 The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. Any variation in spend at the year's outturn will also affect the level of General Fund Reserve available next year. The Deputy Chief Executive and CFO feels it would be prudent in light of the higher level of risk being faced by the Council going forward that the reserve should be maintained at this level.

5.10 The Council also has a number of Earmarked Reserves which are detailed in the 2020/21 budget report elsewhere on the agenda. They have a 2019/20 opening balance of £439m, of which £107m relates to the HRA and £19m to Schools. The level of reserves required is robustly assessed as part of the budget setting process. Monitoring of these reserves takes place through the monthly reporting process to Senior Managers and Members during the financial year and at the year-end as part of the closure of accounts. Based on the numbers alone it appears the Council is at the more resilient end of the reserve spectrum, however there are considerable risks within this position. The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves.

6 Fiduciary and Statutory Considerations

6.1 In setting the budget the Council has a duty to ensure:

- it continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

6.2 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.

6.3 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 taxpayers 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 the 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.

6.4 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer (‘CFO’) of the authority must report to the Council on:.

(a) the robustness of the estimates made for the purposes of the calculations; and
(b) the adequacy of the proposed financial reserves.

6.5 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

6.6 Section 28 of the Local Government Act 2003 also 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.

6.7 Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO 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 CFO has a duty to make a report to the Council.

6.8 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 CFO. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor. Following well publicised difficult financial positions of some local authorities there is a growing scrutiny of the financial position of individual local authorities.

Equalities Duties

6.9 In considering the budget for 2020/21 the Council must also consider its ongoing duties under the Equality Act 2010 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. 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.

6.10 The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard to the effect that their business proposals will have on protected groups within the City.

7 Financial Governance

Leadership and Governance

7.1 The Council's governance arrangements are set out in full in the Annual Governance Statement. Arrangements for revenue and capital budget planning, monitoring and delivery are believed to be robust. The Council complies in full with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The S151 duties lie with the CFO who is also the Deputy Chief Executive, is a full member of the Senior Management Team and fully involved in the Council's governance and decision making processes.

Assessment of value for money in the delivery of services

7.2 The Council's external auditors are required to provide a Value for Money conclusion following the guidance issued by the National Audit Office November 2017 which specified the criteria for auditors to evaluate. The external auditors were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. An unqualified Value for Money conclusion was issued.

Financial Management Code

7.3 The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The Code builds on established CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The FM Code was launched in 2019 to be implemented from April 2020 with the commencement of a shadow year. It is expected that by 31 March 2021 Local Authorities can demonstrate that they are working towards full implementation of the code with the first full year of compliance being 2021/22.

7.4 Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the CFO and their professional colleagues in the leadership team. It is for all the Senior Management Team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.

7.5 The FM Code applies a principle-based approach. It requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. The principles are:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management,

quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

7.6 The Code is structured over seven sections as shown below:
Section 1: The responsibilities of the chief finance officer and leadership team
Section 2: Governance and financial management style
Section 3: Long to medium-term financial management
Section 4: The annual budget
Section 5: Stakeholder engagement and business plans
Section 6: Monitoring financial performance
Section 7: External financial reporting

7.7 Section Three of the code is particularly important as it covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs counter to both sound financial management and sound governance. The following paragraphs set out the Financial Management standards in this area and demonstrate how the Council will meet requirements.

7.8 *Standard F - The authority has carried out a credible and transparent financial resilience assessment* - The CIPFA Financial Resilience Index has been developed to help organisations identify pressure points. It contains nine measures of financial sustainability to reflect risk including three which assess the adequacy of reserve levels, level of debt, interest payable, size of council tax base, level of business rates growth above baseline, fees and charges ratio and % budget spent on social care. The results show the Council to be relatively well placed on reserves and in a reasonably comfortable mid position on the others. The only ratio classed as high risk relates to the low council tax base which is well understood. This is mitigated by attempts to grow other income streams and highlighting the importance of council tax equalisation in all funding discussions and consultation with the government.

7.9 The index is not intended to represent the entire story on the financial sustainability of a Local Authority but provides some indicators of potential risk. In addition The CFOhas examined the major assumptions used within the budget calculations and associated risks as reported at paragraphs 5.3 to 5.7.

7.10 *Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.* - This is demonstrated by the Section 25 statement within this report.

7.11 *Standard H -The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities* - as detailed in the Capital and Treasury Management Strategies the Council is compliant with the requirements of the Prudential Code. This includes information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing. The Council takes a highly prudent approach to investments, both treasury and otherwise, with a view to minimising risk. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary.

7.12 *Standard I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.* It is recommended best practice that Local Authorities have a longer term strategy for financial resilience and a multi year financial plan. Whilst the suite of budget reports only cover 2020/21 to align with the central government one year Spending Round and Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:

i. Five year Capital Strategy (and financing arrangements) and asset management plans Five year reserve strategy with three years published in the MTFP
ii. Financial and scenario planning over the next spending review period
iii. Three-year Children's and Adults investment proposals for the use of additional one off funding received in 2019/20.

7.13 Sustainable Service Plans have been produced over the Life of the MTFP including tracking delivery and an assessment of success in delivery of savings - Directorates have put forward additional savings proposals in the scrutiny budget reports. The total savings identified for 2021/22 are £7.463m of which £4.626m will be retained within directorates to support the realignment of budgets to mitigate identified pressures. The balance of £2.837m supporting the balanced budget position 2020/21. Officers have satisfied themselves with the robustness of the planned reductions and their broad deliverability. A detailed risk rated savings tracker is produced and monitored monthly and progress discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT) at its monthly budget focussed meeting. Updates are also provided monthly to Executive Members. The quarterly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations. For the areas within its remit the Manchester Health and Social Care Commissioning Board and Management Team have a detailed process to agree business plans and monitor progress on the delivery of savings which is also tracked on a monthly basis.

7.14 In 2019/20 24% of savings were considered high risk in terms of deliverability. These related to Children's, Homelessness and Adult services and have been reassessed as part of the 2020/21 budget setting process. Full details are contained within the scrutiny budget reports.

7.15 Section Four of the code requires that *'the authority complies with its statutory obligations in respect of the budget setting process'* and *'the budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves'.* This is demonstrated by the Section 25 statement within this report.

7.16 Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'.* The priorities for the City are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to reflect The Our Manchester ten year ambitions. The proposed 2020/21 budget continues to reflect the priorities identified in the three-year budget strategy (originally 2017-20) which was subject to extensive consultation with residents about what matters most to them.

7.17 The second standard within this section is *'The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.'* The Council undertakes VFM analysis which includes annual benchmarking of outcomes and unit costs against authorities with defined similar characteristics. This highlights areas of strength for Manchester as well as similar authorities which have better outcomes for lower spend in certain areas. These instances provide scope for more detailed investigation in conjunction with the Service concerned and improvements to be identified where required. Additionally the governance process for investment and funding decisions for the Council's capital programme requires a clear and detailed business case for any proposed investment, which must explain the benefits of the project to the organisation, both financial and otherwise, alongside the funding requirement. This allows senior officers and members to make decisions on proposals based on value for money and other concerns, for example statutory requirements.

Budget Scrutiny

7.18 The Scrutiny Committee meetings on the 4-6 February 2020 will review the budget proposals within their remit. Resources and Governance Scrutiny Committee will meet on 24 February 2020 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 6 March.

8 Conclusion

8.1 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 disproportionate level of funding reductions the Council has taken.

8.2 Manchester continues to lead the way in terms of transformation, delivering efficient services and creating the conditions for all of our communities to benefit from economic growth. The Council has maintained its reputation for innovation and reform through a number of key mechanisms:

- Using the commitment to social value to ensure communities see the benefit from investments. This has included commitments from suppliers to employ staff who live locally, no use of zero hours contracts and agreements to reduce energy consumption and carbon emissions in the City.
- Working alongside partners in the Greater Manchester Combined Authority the Council has worked hard to make the most of the opportunities to focus on local priorities through the Spatial Framework, Local Industrial Strategy, digital opportunities and in tackling homelessness.
- focused on doing things differently for example developing the population modelling toolkit, creating a more meaningful definition of affordability to support the emerging Local Plan and Housing Strategy and supporting the implementation of the Manchester Living Wage across supply chains.
- Continuing with the integration of public services to improve the offer to residents. The benefits are already being seen of the approach to integrating health and social care through improvements in the number of years men in the city can expect to live in good health.

8.3 This set of budget and business plans is a continuation of commitment to the delivery of the Our Manchester Strategy and how it has been used as a framework for prioritising the deployment of resources.

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Manchester City Council
Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 4 February 2020
Executive – 12 February 2020
Council – 6 March 2020

Subject: Capital Strategy and Budget 2019/20 to 2023/24

Report of: Chief Executive and Deputy Chief Executive and City Treasurer

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Summary

The purpose of the report is to present the 2019/20 capital programme and forward commitments, alongside the Capital Strategy for the City Council.

Recommendations

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

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Executive approval in section 6.2.

2. Note the capital strategy.

3. Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2019/20 to 2023/24 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

The Council is requested to:

1. Approve the budget changes for the 2019/20 capital programme.

2. Approve the capital programme as presented in Appendix 3 (for £318.0m in 2019/20, £378.4m in 2020/21, £288.8m in 2021/22, £208.3 in 2022/23 and £55.3m in 2023/24) which will require prudential borrowing of £710.7m to fund non-HRA schemes over the five year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

3. Delegate authority to:

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

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

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

d) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2020/21 and then £5m per year thereafter.

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

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

g) The Deputy Chief Executive and City Treasurer and City Solicitor in consultation with the Executive Member for Finance and Human Resources to agree and approve the governance process for bids to the proposed VCSE Fund.

Wards Affected: Various

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

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy, including investment in public and private sector housing, education and children's social care, transport infrastructure,

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital programme report as presented will require £710.7m (all non-HRA) of prudential borrowing over the period 2019/20 to 2023/24, all for Manchester City Council projects. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

Financial Consequences – Capital

For the City Council programme the latest budget for 2019/20 is £248.0m, of which £131.9m is forecast to be funded from borrowing. Across the forecast period 2020/21 to 2023/24, the budget is £930.8m, of which £578.8m is forecast to be funded from borrowing.

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Attachments

Appendix 1: Capital Approval Process flowchart
Appendix 2: Proposed Amendments to the Capital Budget
Appendix 3: Detailed Capital Programme 2019/20 – 2023/24
Appendix 4: Comparison of Capital Financing Requirement to External Debt and Internal Borrowing

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 13 February 2019 (Capital Strategy and Budget 2019/20 to 2023/24)
Report to Council 8 March 2019 (Capital Strategy and Budget 2019/20 to 2023/24)
Report to the Executive 13 March 2019 (Capital Programme Update)
Report to the Executive 26 June 2019 (Capital Programme Outturn Position 2018/19)
Report to the Executive 26 June 2019 (Capital Programme Update)
Report to the Executive 24 July 2019 (Capital Programme Update)
Report to the Executive 11 September 2019 (Capital Programme Update)
Report to the Executive 16 October 2019 (Capital Programme Update)
Report to the Executive 13 November 2019 (Capital Programme Monitoring 2019/20)
Report to the Executive 13 November 2019 (Capital Programme Update)
Report to the Executive 19 December 2019 (Capital Programme Update)
Report to the Executive 12 February 2020 (Capital Programme Monitoring 2019/20)

1 Introduction

1.1 As part of the suite of budget reports submitted on this agenda, Executive and Council are recommended to approve the updated Capital Strategy for 2019-24. This report details the latest position on the Strategy, the governance process and progress on delivery.

1.2 The capital strategy provides the medium to long term context in which capital investment decisions are made and the governance for those decisions, and also gives a summary of the Council's approach to investments and treasury management strategy which is elsewhere on the agenda. The Council's capital strategy also meets the requirements in the CIPFA Prudential Code.

1.3 The strategy sets out the priorities for the Council for its capital investment and forms the framework against which future investment decisions are made. Section 3 of the report sets out the priority areas for future investment, including carbon reduction and housing. Schemes and projects are only added to the budget at the point they have been fully developed and agreed as part of the checkpoint process. As the potential future investment proposals develop they will follow the governance process laid out in this report before they are approved.

2 Strategic Context

2.1 Global and national economic uncertainty mean that it is challenging to forecast how the UK Economy will perform over the next three to five years. This is as a consequence of weaker economic global growth, partly driven by trade protectionism, and Brexit-related uncertainties. If any significant economic slowdown materialises, there will need to be a national response from Government and a clear local response. Following the December 2019 General Election, the new Government has indicated that new funding opportunities will be announced in the March 2020 Budget which will require a Manchester response to in order to capture investment from such opportunities. It is against this backdrop that our overarching capital strategy should be considered.

2.2 Manchester is an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for residents and delivering a vision of making Manchester a world class city. As encapsulated in the Our 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 its 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.

2.3 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 residents - connecting all of the City's residents to the opportunities created by economic growth;
- embrace the need to be a zero carbon exemplar - as part of the City's aims to be zero carbon by 2038 at the latest;
- invest in, and strengthen, the council's existing economic and infrastructure asset base;
- ensure that there is a diverse housing offer for the city including homes that are affordable to those households on low and average incomes; and
- support the City's cultural and sporting offer.

2.4 The Our Manchester Strategy 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 2018/19.

2.5 Residents helped to devise the Our Manchester Strategy, and the benefits to residents of capital investment is a key concern for the Council. Through investment in housing, parks, leisure centres and highways, the capital programme seeks to prioritise the views and needs of the City's residents.

2.6 The last few years 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, the proposals to strengthen policies on Affordable Housing in the city, new commercial development opportunities, and delivering on the outcomes of the reviews of the Highways Estate, the Operational Built Estate and the ICT Estate. The Council's declaration of a Climate Emergency and our stated ambitions to be a zero carbon city made in 2019 now provides an added dimension that cuts across all of these strategies and reviews.

2.7 The challenge for the future is to maximise the capital resources available to the Council in order to deliver the priorities for the City. 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. The following will be important to achieving this:

- to support employment growth through a strengthening and diversification of the economic base and efficient use of land;
- investment in new and upgraded transport infrastructure including delivering the Highways Investment Programme
- to provide an expanded, diverse and affordable housing offer, creating the conditions to increase the supply of affordable and social housing, and that all new homes in the city are supported by good local public services and an accessible public transport infrastructure;

- to support new and expanded high quality primary and secondary school facilities for a growing population;
- to ensure that there is a sufficiency of facilities in the city to support the demands within our adults and social care system;
- securing investment for an internationally competitive cultural and sporting offer and sustaining core assets such as parks, leisure facilities and libraries for Manchester residents
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- to promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.

Underscoring all of the above will be the need to pursue interventions that both encourage and deliver the City's zero carbon goals.

2.8 Within a wider City Region and regional context the ambition is for Greater Manchester to become a financially self-sustaining region, 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 region.

2.9 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 still 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.

2.10 Against this backdrop the new Greater Manchester Strategy "Our People, Our Place" sets out a Vision to make Greater Manchester one of the best places in the world to grow up, get on and grow old. The Plan sets out the ambitions for Greater Manchester and its population of 2.8 million. It covers health, well-being, work and jobs, housing, transport, skills, training and economic growth.

2.11 The Manchester and Greater Manchester Industrial Strategies were published in 2019 and set out the plans for developing a more inclusive economy that all residents can participate in and benefit from.

2.12 In early 2019 the Greater Manchester Combined Authority published a suite of strategic documents that translate the ambitions set out in the Greater Manchester Strategy into new development and growth for the next two decades. The Greater Manchester Spatial Framework, the Greater Manchester Transport 2040 Implementation Plan and the forthcoming Greater Manchester Housing Strategy provide the frameworks for future investment in the conurbation.

The 2019/20 Capital Programme

2.13 The capital programme has progressed in line with the agreed approach to capital spend and delivery in 2019/20, and as part of the overall five year capital strategy.

2.14 Within the Highways Investment Fund, maintenance, resurfacing, drainage and gulley works are ongoing. Other major Highways projects are progressing including Hyde Road and the A6 Pinch Point widening schemes. A number of walking and cycling schemes, to be funded through the Mayor's Challenge Fund are to be brought forward.

2.15 Works are ongoing at the Manchester Aquatics Centre and the National Cycling Centre to develop designs to RIBA Stage 2 to support major refurbishments at both venues. A number of projects within the Parks portfolio have completed including King George V Park, Heaton Park South Play, Painswick Park and additional works at Platt Fields.

2.16 Corporate Estates recently opened the new Hulme District Office on Stretford Road. Works have begun on the next phase of the Estates Transformation Programme which will see a complete refurbishment of Alexandra House and car park.

2.17 Projects which will reduce the Council's carbon emissions have progressed, including the ongoing replacement of existing street lights with LED bulbs, and the Civic Quarter Heat Network. This strategy starts to set out the areas for future investment.

2.18 Good progress continues at the Factory site, as steel works continue to be erected and other major milestones are reached such as the complex installation of the Proscenium truss.

2.19 Early works have begun on site for the Town Hall project. The project team continue to prepare for Notice to Proceed which is expected in early 2020. It is anticipated that c.£104.0m worth of work packages will have been procured by this date, which will equate to around 60% of the overall project.

2.20 The delivery programme for works funded from Disabled Facilities Grant has continued. Works on fire safety measures in the Council's housing stock have progressed. The first of the North Manchester New Build schemes has completed, with 20 shared ownership units and 40 affordable rent units delivered.

2.21 Work is ongoing to ensure that the Council continues to meet the demand for school places with the continued growth of pupil numbers in the City. A construction partner has been appointed for the Special Educational Needs programme to increase school places across 4 sites in the City - Roundwood, North Hulme, Monsall Road and Camberwell Park. The Schools Maintenance Programme for summer 2019 is nearing completion and a programme of work for 2020/21 is now being drafted.

2.22 Works within the ICT Investment Programme have progressed, to create a simpler, more robust, resilient and easier to support technological environment. A new social care system, which incorporates a new social care payments system, went live at the end of July 2019. In October, the Executive agreed to adopt Microsoft Office and its software tools - Microsoft 365 - to replace Google G Suite and Lotus notes.

3 Development of the Capital Strategy

3.1 The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability. The Strategy, therefore, sets out the longer term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

3.2 The Council makes a clear distinction between capital investments, where the achievement of strategic aims will be considered, alongside affordability; and treasury management investments, which are made for the purpose of cash flow management.

3.3 Council investments, as opposed to pure cash flow management decisions, will be made in line with the Capital Strategy priorities which are set out in this document. These decisions are clearly within the economic powers of the Council and there are strong governance arrangements that underpin the decision making. Longer term capital investment decisions will not be made purely on the basis of commercial decisions and chasing yield, however, inevitably some schemes will be financed all or in part from returns on investment. There may also be:

- externally funded programmes such as those for schools or The Factory;
- schemes funded from ring-fenced resources such as those within the Housing Revenue Account (HRA); or
- required investment from Council resources, including capital receipts, to support strategic priorities such as investment in the highways infrastructure, delivery of the ICT Strategy, asset management and the refurbishment of the Town Hall.

3.4 Through the existing capital programme and recent policy decisions there are already a number of overarching future investment priorities identified which are set out below.

3.5 With the recent declaration of the Climate Emergency by the City Council the Council has a clear target to at least ***halve its carbon output over the next five years***. Investment plans and associated benefits must consider the effect on carbon and work is taking place to understand how investment can be classified in terms of carbon impact as well as financial. The costs of new build programmes to higher environmental standards and meeting the needs of the

Local Plan and planning requirements need to be considered, running alongside investment in green spaces and places including trees and green walls which will require revenue resources for ongoing maintenance. In addition the majority of the Council's carbon emissions are from its existing corporate estate and housing stock and significant investment will be required to bring this up to carbon efficient standards. This represents a major opportunity to both establish Manchester as a centre for green technology and services, and to work with local skills providers to ensure that the city's residents are given the best possible opportunities to access these exciting new careers.

3.6 The Council recognises the ongoing priority to ***deliver new affordable housing stock*** resulting in the decision to increase the delivery target from 5,000 Affordable Homes to a minimum of 6,400 Affordable Homes between April 2015 and March 2025.

3.7 A commitment to developing a more ***inclusive economy***, both for the City and the Council, is vital and this ambition is set out within the Our Manchester Industrial Strategy. Achieving this ambition may require investments on an invest to save basis in existing Council assets, and will also require strategic investment to unlock wider developments, both commercial and residential. There is a major opportunity for new developments in the city such as the Northern and Eastern Gateways to become inclusive and zero carbon exemplars but they need to be adequately resourced to bring about the kind of social, economic and environmental benefits the city desires. The use of progressive procurement policies and social value will help to ensure the maximum benefit to residents from these new developments.

3.8 Regeneration in North Manchester, of which the Northern Gateway will play a crucial role, will continue to be an important part of the Council's capital strategy. Investment in the leisure centre at Abraham Moss, and the proposed investment at North Manchester General Hospital, are vital parts of the regeneration strategy.

3.9 Increasingly there will be a role for the Council to look at ***market intervention***, where the existing market outputs do not support the Council's wider aims. This is likely to be focussed on areas such as health and social care and particular residential and intermediate care, and will require significant partnership support. Such intervention may be short term in nature, to support the development of sustainable business plans, or interventions of a longer nature to support market change.

3.10 A key role for the future capital programme will be to ensure that the Council's ***corporate estate is fit for purpose***. The level of investment needs to increase to support the commitment to reduce the Council's carbon output and due to the current condition of the estate. This is particularly important for the leisure estate, where the assets developed for the Commonwealth Games are now nearly 20 years old, and also in the social care estate where the budget challenges faced by providers has led to a lower level of investment by them on maintenance than expected.

3.11 With the ongoing work around Our Transformation, there will be a continuing need to invest in ICT infrastructure as part of being a ***well-managed Council***. Increased digitisation, and the need to move from legacy ICT platforms, will mean investment is required, alongside work on ICT resilience, network capability, and key operating systems.

3.12 All capital investment decisions will be underpinned by a robust business plan that sets out any expected financial return alongside the broader outcomes including economic and social benefits.

3.13 This report includes forecast additional projects which may require capital investment over the medium term. These projects have been identified during the budget process as potentially being required to support the Council in achieving its strategic aims. These projects do not form part of the approved capital programme as set out within this report, and are expected to follow the governance process set out below as they are developed.

4 Carbon Reduction

4.1 The City Council has declared a climate emergency, and set an aim to become carbon neutral by 2038. This is an ambitious reduction which will require the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025, while also playing its full part in supporting and influencing the city of Manchester to do the same. The Council will produce its zero carbon action plan for 2020-25 in March 2020.

4.2 Changes in how buildings are operated alongside behavioural changes such as recycling more are an important part of meeting that target, but it is vital that this is supported by capital investment aimed at reducing carbon.

4.3 The existing approved capital programme contains significant investment in carbon reducing measures, for example:

- the Street Lighting replacement programme is replacing the lights with LED lights with lower emissions;
- the Civic Quarter Heat Network is currently being built, which will allow Council buildings to be powered through cleaner energy; and
- the Carbon Reduction Programme is progressing, with building-specific projects identified which will reduce the carbon output.

4.4 To halve the Council's carbon output over the next five years it is clear that further capital investment is required, and hence it is recognised as one of the key priorities for future capital spend. The forecast additional projects identified in this report which could support this include:

- moving to a sustainable transport system across the City, including investment in cycle lanes and electric charging points;
- investment in the Corporate Estate to improve energy efficiency given the estate accounts for roughly 70% of the Council's carbon emissions;
- the electrification of the waste fleet;

- retrofit works to the Council's housing stock to move towards it being carbon neutral; and
- further investment in green energy solutions.

4.5 As described below, through the approval process for capital expenditure all proposed capital investment must be able to articulate how it can contribute to the Council's zero carbon target. This is one of the key considerations when projects are brought forward.

4.6 In recognising the importance of capital investment to achieving the carbon neutral date of 2038, it is also important to recognise the financial challenge that this creates. The Council must set a balanced budget, and therefore capital financing costs must be affordable within existing revenue constraints. This means that capital investment aimed at reducing carbon must focus on projects which will make the biggest difference, and this will form part of the ongoing decision-making process.

5 Governance

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

5.2 The Council does not currently exercise any of the capitalisation flexibilities potentially available to it, such as the use of capital receipts to support specific revenue expenditure related to service transformation. If such flexibilities supported Council strategy, this position would be reviewed.

5.3 The Council has revised the approval process for capital expenditure in order to strengthen the decision making criteria highlighted above. Work is continuing on improving and streamlining the process, including strengthening the links to the key decision process and to strengthen decision making on funding sources such as Section 106 contributions, to ensure that the use of such sources are maximised.

5.4 The capital expenditure and investment decision making process has five distinct stages to cover project initiation, project design and costs, democratic process, capital expenditure approval and monitoring/review. The process is shown at Appendix 1.

5.5 For any project seeking capital expenditure approval a business case must be drafted, covering:

- ***Strategic Fit:*** how the project links to the City Council's strategic priorities, social value, and any statutory requirements.
- ***Economic Value:*** what economic value the project will provide to the City, including social value.

- ***Financial Implications:*** funding model, with evidence of cost and capital and revenue implications
- ***Risk and Deliverability:*** timescale for delivery and identification of risks to the project, including legal issues.
- ***Outcomes to be delivered:*** what the project will achieve, and the benefits that will be realised. This includes social value, and impact on the low carbon strategy.

5.6 The business cases must be agreed by the relevant directorate board and supported by the relevant Executive member prior to submission to the Strategic Capital Board chaired by the Deputy Chief Executive and City Treasurer. The Board will then make recommendations to members.

5.7 Throughout the decision making process the risks and rewards for each project are reviewed and revised and form a key part of the monitoring of the capital programme. The Strategic Capital Board receive monthly updates from each directorate board detailing financial forecasts, risks, and expected outcomes.

5.8 The governance process for approving capital investments is the same as that for the wider capital programme. Any investment proposal is peer reviewed and the external and internal risks associated with the investment explored. Within the Council there are commercial and public sector professionals who are responsible for supporting investment proposals and establishing investment structures to mitigate any identified risks. Where required external advice is commissioned to perform due diligence or to support the creation of the business case.

5.9 The capital programme is monitored monthly, with quarterly reports to Executive. This will include any new approved capital investment proposals. They will also be subject to regular review including any annual assessment as part of the accounts process, which will take into account any material changes to the standing of the investment. New capital projects are reported to Executive in capital update reports, detailing the aims of the project and the source of the funding required.

6 Changes to the Capital Programme

6.1 All new capital proposals since 2017/18 have been assessed against the criteria above, highlighted at paragraph 5.5. The projects put forward within this report meet the criteria for inclusion around strategic fit.

6.2 There are a number of schemes which have been developed and are ready for inclusion in the capital programme which are summarised below. A summary of the schemes, funding and profile of spend can be found at appendix 2.

For Council approval:

- Rushcroft and Pevensey Court Ground Source Heat Pumps – installation of renewable heating systems to replace communal gas boilers;

- Hammerstone Road depot – additional funding following the widening of the scope of the project to allow the transfer of additional services to the depot, and following the end of design stage 3;
- Buy Back of former Council Properties – provision to buy back former Council homes to support the Council's housing objectives; and
- Central Library Refresh – refresh of the Archives+ exhibition, performance space technology and Children's Library.

For Executive approval:

- Highways Maintenance Challenge Fund – works to resurface Kingsway, funded by government grant;
- Deansgate Streets for All – development costs to develop the first phase of works to Deansgate;
- Automatic Bollard Replacement – further works on the project on new sites to improve security and safety from further threat;
- Basic Need – reintroduction of Basic Need grant income previously allocated to Matthews Lane, following the proposal to develop a new school on the site at Hyde Rd which has recently become available; and
- VCSE Capital Fund – creation of a fund for VCSE's to bid for small works to premises to boost capacity and increase service provision. The governance process for reviewing and approving bids to the Fund is being drafted, and it is proposed that the approval of this process is delegated to the Deputy Chief Executive and City Treasurer and the City Solicitor, in consultation with the Executive Member for Finance and Human Resources.

6.3 The Council's revised capital budget for the 2019/20 and the next five years is set out below. This includes the expected capital activity required to support the achievement of the Council's strategies and to maintain the operational estate.

7 Proposed Capital Programme from 2020/21

7.1 The capital programme 2020/21 to 2023/24 includes the continuation of the existing programme. For this report, the position is based on that forecast as at the end of December 2019, which is reported elsewhere on the agenda.

7.2 This report sets out the approved capital budget, with new projects to be approved as noted above. There are also pipeline schemes and potential capital projects which may be submitted into the capital approval process during the forecast period of the capital programme. Details of these are contained within the programme information below.

7.3 The budget for 2019/20 is £248.0m. In addition there are £70.0m relating to schemes hosted on behalf of the Greater Manchester Combined Authority leading to a combined total of £318.0m. The profile of capital expenditure will be updated as projects develop through the design stage or if the resource position changes. This is reported through to Executive in the regular Capital Update and Monitoring reports.

7.4 There are significant risks to the delivery of the proposed programme. Construction inflation is relatively high as the Manchester construction market remains buoyant and this will impact on costs for existing and future projects and an allowance will need to be made for this. It is difficult to project the exact budget requirement but for the purposes of the Strategy it is proposed to include a total budget of £30m across all years of the programme, to be funded from borrowing.

7.5 The proposed programme is summarised in the table below:

	2019/20 budget £m	**2020/21 budget** £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**Total** £m	***Total 20/21-23/24*** *£m*
Manchester City Council Programme							
Highways	55.4	58.8	24.6	0.0	0.0	**138.8**	***83.4***
Neighbourhoods	8.6	16.7	17.9	3.9	2.9	**50.0**	***41.4***
Growth	90.8	119.0	53.9	14.2	0.0	**277.9**	***187.1***
Town Hall Refurbishment	17.0	49.1	92.7	99.3	34.7	**292.8**	***275.8***
Housing – General Fund	10.3	22.6	15.0	3.5	8.0	**59.4**	***49.1***
Housing – HRA	19.6	38.8	28.6	28.1	0.0	**115.1**	***95.5***
Children's Services (Schools)	25.2	29.5	29.7	43.4	0.0	**127.8**	***102.6***
ICT	5.7	5.7	10.9	9.4	7.7	**39.4**	***33.7***
Adults, Children's and Corporate Services	15.4	26.2	5.5	0.5	0.0	**47.6**	***32.2***
MCC TOTAL	**248.0**	**366.4**	**278.8**	**202.3**	**53.3**	**1,148.8**	***900.8***
Projects carried out on behalf of Greater Manchester	70.0	0.0	0.0	0.0	0.0	**70.0**	***0.0***
Inflation fund		12.0	10.0	6.0	2.0	**30.0**	***30.0***
TOTAL	**318.0**	**378.4**	**288.8**	**208.3**	**55.3**	**1,248.8**	***930.8***

7.6 Further details of the major schemes included are set out in this report and a full list of the projects and the budget split by financial year is shown at appendix 3.

7.7 As noted above, and detailed throughout the report as potential future investment, there are a number of key investment priorities. It is anticipated that as such schemes progress through the Council's approval process budget provision will be made for them. The figures in the table above also reflect that a number of grant funded programmes have not yet had the next round of funding announced, for example Basic Need for school places, and it is expected that these will be added when such grant awards are given.

7.8 The proposals in this report are for the draft capital programme from 2020/21. The programme will be updated at the May meeting of the Executive to reflect the final outturn position for 2019/20. The programme will change as projects develop and this will be reported to members at the earliest opportunity.

8 Highways

8.1 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 £83.4m between 2020/21 and 2023/24 and the primary schemes within the programme are detailed below.

8.2 The Highways Maintenance Investment Programme (£44.9m) will continue. 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. This includes works to drainage systems, large patching works, carriageway works and repairs to footpaths.

8.3 The Bridge Maintenance project (£6.8m) will continue to ensure that the Council's bridge assets across the highways network are maintained according to statutory guidelines.

8.4 The project widening A57 Hyde Rd (£3.6m) will continue, 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.

8.5 The Cycle City schemes (£2.8m) 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.

8.6 The project at Great Ancoats Street (£6.2m) will reduce barriers and restrictions for pedestrians on the Street and adjacent areas of the inner relief route. The project will also include more safe crossing places for pedestrians and improved signage to aid road users.

8.7 Works at the Mancunian Way junction with Princess Road (£4.2m), funded through the Department for Transport's National Productivity Investment Fund, will continue, improving and continuing capacity by creating signalled junctions.

8.8 The Public Realm programme (£2.4m) will support the maintenance and development of the Council's public realm assets.

8.9 The Street Lighting Private Finance Initiative (PFI) project (£3.7m) will deliver the procurement and installation of modern, state of the art, low energy light emitting diode (LED) street lighting technology. The scheme will provide revenue savings due to reduced energy charges, and lower maintenance costs for the Council's street lighting.

8.10 The significant capital investment programme will improve road safety as wherever possible the changes to the highway are made to support it, for example the Great Ancoats Street where accident prevention is a key aim of the project. Similarly, the programme of cycling and walking improvements funded through the GM Mayor's Challenge Fund will see significant road safety benefits from better road crossings, segregated cycle lanes and additional pedestrian facilities.

Potential Future Investment

8.11 To support the City's wider development and growth plans, and the delivery of the GM 2040 Transport Strategy and the emerging city centre transport strategy, work has been undertaken to look at how the funding allocated for project development can be utilised. A pipeline of schemes is being developed based on data which prioritises sites on the highway network based on a number of strategic principles. Business cases for schemes will be drawn up and brought forward on a priority basis.

8.12 Work will be ongoing with Transport for Greater Manchester to move forward on plans for a sustainable transport system, including reducing car journeys together with supporting the expansion of electric vehicles through investment in charging points.

8.13 Investment is also expected to support the establishment and delivery of a number of major projects where highways infrastructure will play a key role. Currently proposals including the support of major developments such as consideration of HS2, Etihad Campus, Northern Gateway and the Airport and the Bee Network along with localised pinch points.

8.14 Investment which prioritises improvements to the network for cycling and walking will be pursued, with the development of a number of schemes approved through the GM Mayor's Challenge Fund. These works supplement other proposals which seek to promote sustainable forms of transport across the city.

8.15 The business case for investing in car park assets across the city in order to ensure stock is fit for purpose will be developed, and in particular the investment needed to meet additional requirements including the installation of electric charging points and cycle hire parking. Consideration to the future car parking capacity and policy for the city centre needs to be considered alongside the impact on existing revenue car parking income.

8.16 Work is also underway to review benefits achieved through previous Highways Investment Programmes. This will establish the rationale and outcomes for future potential investment needs.

9 Neighbourhoods

9.1 The Neighbourhoods capital programme includes the investment required to support the City's neighbourhoods and well-being, such as libraries and leisure centres. The programme is forecast to be £41.4m between 2020/21 and 2023/24, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2019/20 budget £m	**2020/21 budget** £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**Total £m**
Environment and Operations	2.6	5.0	0.0	0.0	0.0	**7.6**
Leisure	5.5	11.1	17.1	3.9	2.9	**40.5**
Libraries	0.5	0.6	0.8	0.0	0.0	**1.9**
Total Neighbourhoods	**8.6**	**16.7**	**17.9**	**3.9**	**2.9**	**50.0**

Environment and Operations

9.2 Work on Waste Reduction Measures (£1.2m) will continue, initially seeking to increase recycling rates in apartment blocks across the City.

9.3 As part of the waste and street cleaning contract, a loan will continue to be available to the contractor to upgrade vehicles (£3.8), including to make them clean air compliant, on a spend to save basis. The loan will be repaid through reduced service costs. As noted above, the potential to electrify elements of the waste fleet will be reviewed.

Leisure

9.4 The Parks Investment Programme (£12.0m) will focus on improvements to the quality of the community and local parks, green spaces and allotments across Manchester.

9.5 Investment will continue at Abraham Moss leisure centre (£20.0m). These works will reduce revenue costs associated with the upkeep of the building, and provide long-term savings to the Council.

Potential Future Investment

9.6 There is a need to continue with the development of the City's leisure estate, with the introduction of new leisure assets as well as large scale improvements to existing facilities as the focus of investment. It is expected that any such proposals would contribute to the low carbon aims of the Council. The funding for these works will be mixed due to the joint management of Waterfall funding with Sport England and the ability to access other national funds as well as the requirement to access City Council resources. Leisure spend over this next period will include the National

Cycling Centre refurbishment, Manchester Aquatics Centre refurbishment, Abraham Moss Leisure Centre and the Hub at Hough End.

9.7 The focus of Parks investment will be linked to the further development and approval of the Parks Development Plan. With funding already held against this programme, details of individual schemes and work packages will be brought forward, seeking to maximise investment across park assets.

9.8 Redevelopment of the North Manchester General site will form part of the regeneration of North Manchester, linking with the planned Northern Gateway investment as well as the provision of the new hospital and associated health facilities. Initially this may be focussed around Crumpsall Park. Such investment should be a priority for the Council against any source of regeneration finance that the Government may bring forward.

9.9 There are a number of potential library sites for investment over the next period as part of a wider estate management and the extension of customer self-service provision. Manchester Central Library has seen over 8 million visitors since reopening in 2014 and now welcomes 2 million visitors per year - there is a need to refresh the digital element of the library and also some other front of house areas including the children's library.

9.10 Manchester Art Gallery are developing proposals linked to the Platt Hall Gallery and other works to broaden their offer to residents and consider storage requirements for collections including Queens Park. There is also development work being undertaken for other venues which Manchester City Council own but are operated by other organisations. The Department for Digital, Culture, Media and Sport have recently announced a new capital funding scheme for which the details and application criteria are awaited.

9.11 To support the Council's low carbon agenda it is proposed that the waste management fleet is reviewed to explore potential electrification. Investment to "green the city" through tree planting, the use of green walls and other measures to absorb carbon and encourage biodiversity will be reviewed and considered.

9.12 The development of New Smithfield Market remains a significant potential investment opportunity, with work required to understand the scope of such works and the implications for the Council.

10 Growth

10.1 Growth includes the programme for the Council's property assets, and investment in neighbourhood development and cultural facilities. The programme is forecast to be £187.1m between 2020/21 and 2023/24, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	Total £m
Culture	30.1	55.7	13.7	0.0	0.0	**99.5**
Corporate Property	18.2	33.4	21.4	0.7	0.0	**73.7**
Development	42.5	29.9	18.8	13.5	0.0	**104.7**
Total Growth	**90.8**	**119.0**	**53.9**	**14.2**	**0.0**	**277.9**

Culture

10.2 The continuing Factory project (£69.4m) will create a cultural facility within the St John's area of the City Centre.

Corporate Property

10.3 The Asset Management Programme (£20.7m) will ensure that the Council's assets, including its elite sporting assets, are well-maintained.

10.4 The continuing Carbon Reduction Programme (£8.3m) will be used to explore schemes which can support the Council's aim of reaching zero carbon emissions by 2038. Such schemes may include the use of combined heat and power plant, solar photovoltaic panels, and the use of LED lighting within the Council's estate.

10.5 The continuing Estates Transformation plan (£6.9m), based on the stock condition surveys commissioned by the Council to ensure buildings fit for purpose and estate rationalised. This includes the refurbishment of Alexandra House. In addition to this programme the Hammerstone Road Depot project (£19.6m) will continue, investing 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.

Development

10.6 The Strategic Acquisitions budget (£4.3m) 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 particularly with regard to housing and regeneration.

10.7 The Sustaining Key Initiatives (£13.6m) investment provides the Council with the capacity to intervene to ensure key commercial, operational and mixed use development priorities are secured in the city. It is expected that any intervention would be done primarily on an investment basis.

10.8 The Northern Gateway investment plan (£18.8m) will lead to 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 Far Eastern Consortium who are the Council's joint venture partner.

10.9 The Medieval Quarter Public Realm (£1.6m) scheme will continue, providing public realm improvements in the north of the city centre around the River Irwell, Manchester Cathedral, Cheetham's and Victoria Station.

10.10 Further loan support for Manchester College (£5.0m) will continue to enable the first phase of the College's expansion.

10.11 Public realm works at Lincoln Square (£1.2m), supporting the wider redevelopment of the area, will provide a more distinctive identity for the square.

10.12 The Civic Quarter Heat Network (£13.5m) project aims to provide a heat network throughout the Council owned property estate in and around the Town Hall complex and to developments owned by the private sector in the vicinity of the Town Hall. This will reduce energy costs, and also help achieve the City's aim of reducing carbon emissions.

Potential Future Investment

10.13 There is a need to review the ongoing annual level of investment in the Council's corporate estate to ensure that it is of good standard and meets the needs of users. This may include the incorporation of assets which currently sit outside of the current Asset Management Programme, such as City Council owned schools, and may also include the maintenance of previous Sure Start centres and care homes, with the existing leasing arrangements with providers reconsidered to ensure the ongoing operation of the sites. In some instances consideration may have to be given to direct market intervention, as noted in the Adult's section of the report below.

10.14 The corporate estate will also be a key conduit of measures to help reduce the Council's carbon footprint and bring the estate up to a minimum energy performance certificate (EPC) rating of C, based on a strategy of Reduce, Produce and Connect. The aim is to reduce demand for energy, for example through design measures such as LED lighting, produce low carbon energy through solar panels and ground source heat pumps, and connect schemes together by gathering and sharing data to examine how energy demand can be further reduced. The estate asset management programme will form part of this work aligning works to the AMP repairs schedule where possible, alongside existing programmes such as the Carbon Reduction Programme and Civic Quarter Heat Network. There will also be the opportunity to explore investment opportunities into sustainable energy supplies for the City.

10.15 The Council will continue to explore and lead investment opportunities in key strategic areas of the City including the Etihad Campus, the delivery of the Northern Gateway strategic business plan, Eastern Gateway, and other areas for development such as Wythenshawe Town Centre and Moston Lane. Investment in Piccadilly Gardens will also be brought forward.

10.16 There may also be an opportunity to invest in primary/community care hubs, similar to that being developed in Gorton although perhaps smaller in scale, working closely with the Health Service. However, the financing of these arrangements and the potential limitations around Health capital allocations will be an obvious consideration.

10.17 Opportunities to support the development of strategic assets through direct purchases or loans to partner organisations and third parties are also being explored as part of a wider investment approach. This may be particularly important for specific sites, such as Mayfield, where the Council's involvement can help progress and accelerate wider investment progress.

10.18 Proposals to establish a ring-fenced budget for the public realm in the St John's area of the City Centre, where the Factory project is a key development, funded from the expected growth in local taxation will be brought forward.

10.19 The Growth pipeline is wide and varied, and therefore consideration of appropriate investment strategies will be key. Understanding how projects interlink, when investments may be realised, and therefore the capacity to deliver both practically and financially will need to be key considerations.

10.20 There may be strategic investment opportunities where the capital financing costs are covered by an income stream from a third party. These should not have a negative impact on the Council's capital financing capacity, but will increase the Council's level of debt until they are fully repaid.

11 Town Hall Refurbishment

11.1 The Town Hall and Albert Square Refurbishment programme is for the full refurbishment and upgrade to modern standards of the Town Hall and the associated costs for Albert Square. The programme is currently forecast to be £275.8m between 2020/21 and 2023/24 with planned spend currently £17.0m in 2019/20.

11.2 Based on the project achieving notice to proceed, and with the greater certainty around the cost of work packages that this would represent, the cost plan will subsequently be reviewed and therefore the profile of the budget shown in this report is subject to change. Before notice to proceed is given, work is currently underway to review the completion of the design for the building, and the current overall costs based on the work packages which have been agreed or are in the tender process. The decision to proceed will be based on satisfactory outcomes to those reviews.

12 Housing – General Fund

12.1 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 £49.1m between 2020/21 and 2023/24 and the primary schemes within the programme are detailed below.

12.2 Funding remains set aside within the programme for commercial and residential acquisitions (£6.6m) which will support the existing Brunswick and Collyhurst schemes.

12.3 Major adaptations funding is expected to be available (£13.7m) to assist in works to make social rented properties suitable for disabled residents.

12.4 Further investment plans include support for the development of Extra Care accommodation within Manchester (£2.4m) and acquisitions to support the regeneration of the Moston Lane area (£7.5m).

12.5 Funding is available, through the government's Marginal Viability Fund, to support the delivery of new homes on the New Victoria (£10.0m) site by addressing infrastructure works.

Potential Future Investment

12.6 The Council recognises the ongoing priority to deliver safe, secure and affordable housing stock resulting in the decision to increase the delivery target from 5,000 Affordable Homes to a minimum of 6,400 Affordable Homes by March 2025. There is limited capacity from within the Council's Housing Revenue Account and the Council's Housing Affordability Fund to support new additional Affordable Homes in the city. Therefore, to deliver the significant numbers of new affordable homes needed in the city, our partnership relationships with Registered Housing Providers will be key along with a clear commitment to leveraging the Council's land and property assets to help underpin the delivery of new homes.

12.7 As noted above, the Council will play a key role in bringing forward investment across the City, but particularly in the Eastern and Northern Gateways which will include additional homes. To achieve this within the financial constraints that the Council faces, the roles of developers and the Council will need to be considered on a case by case basis.

12.8 The City will also work with colleagues in Greater Manchester to identify and access funding for energy conservation measures in private households.

12.9 Work will be undertaken to review potential capital requirements for the development of supported and semi-supported housing options to address the needs of homeless people and young people at risk of homelessness.

12.10 There is also a further proposal to consider the establishment of a Council-owned temporary accommodation unit for homeless families. The delivery of either option would reduce the net cost to the city through reduced revenue spend on bed-and-breakfast and hotel accommodation.

13 Housing – Housing Revenue Account (HRA)

13.1 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 £95.5m between 2020/21 and 2023/24 and the primary schemes within the programme are detailed below.

13.2 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 (£62.5m). 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 including the installation of sprinklers in multi storey blocks; public realm environmental works; and, where appropriate, it will support estate regeneration and re-modelling.

13.3 The programme includes funding for the ongoing regeneration works in Collyhurst (£23.7m), including proposals for new social housing new builds and land assembly linked to the Northern Gateway.

13.4 The land assembly programme around Parkhill Avenue (£4.3m) will continue to facilitate the regeneration of the area.

Potential Future Investment

13.5 The Council will consider options for retrofit works to make its existing housing stock zero-carbon. This could also help to contribute to addressing fuel poverty. Alongside this, there will be a continued focus on increasing the level of affordable housing across the City, either through models of direct delivery or through working with registered providers and other partners.

13.6 As noted above, the role of the HRA in providing new affordable housing will continue to be reviewed to seek business models which are sustainable and can achieve benefits for the HRA. This is expected to include the development of housing at Silk Street.

14 Children's Services (Schools)

14.1 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 £102.6m between 2020/21 and 2023/24 and the primary schemes within the programme are detailed below.

14.2 The programme to increase the Special Educational Needs capacity (£22.2m) across the city will continue, with works to be undertaken at Roundwood, North Hulme, Monsall Road and Camberwell Park.

14.3 The Council will receive no Basic Need grant in 2020/21. The existing unallocated grant is c. £65.9m, which is expected to be required for the creation of secondary school places.

14.4 A Government grant-funded schools maintenance programme (£6.6m), 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.

14.5 Works to develop the scale of sixth form provision for North Ridge secondary special school (£2.8m) funded from government grant will continue to progress.

Potential Future Investment

14.6 The statutory requirement to provide sufficient school places across primary and secondary education continues to be monitored along with approvals as part of the Government's Free School programme to ensure places are able to meet demand. A School Places plan for 2020 to 2025 will set out the priorities for how we meet the demand for increased school places to meet the needs of our growing population.

14.7 Recent capital investment in the Education Portfolio has focused on the Special Educational Needs and Disabilities and Alternative Provision places in the city. There is the potential for further investment in this area as part of the next phase of the Capital Strategy.

14.8 The benefits of undertaking a programme of condition surveys across the Education Estate in order to take holistic decisions regarding the maintenance of school buildings will also be reviewed.

14.9 The ambition to deliver carbon efficient schools and the lack of easily developable sites within Manchester will mean that it is increasingly difficult to do this within the levels of DfE funding and unit cost.

15 Information and Communication Technology (ICT)

15.1 The ICT capital programme provides investment to the Council's ICT estate. The programme is forecast to be £33.7m between 2020/21 and 2023/24 and the primary schemes within the programme are detailed below.

15.2 The ICT Investment Plan (£33.7m) will continue. The initial focus will be on the collaboration technology that the Council uses. Implementation of this project will unlock potential benefits for other investment, particularly on user devices.

15.3 Other projects will be brought forward as required, and as service needs become evident.

15.4 It is expected that some of this budget may need to be transferred to revenue, depending on the type of work required, and this decision can only be made when the appropriate ICT solution has been identified. Such transfers will be proposed on a case by case basis, and reported to members through the regular capital update reports.

Potential Future Investment

15.5 Activity will focus on the strengthening of core ICT systems, and in particular the delivery of the next phase of Council's collaboration platform. This will inform the subsequent future capital investment requirements which are likely to include the delivery of a device replacement strategy.

15.6 An updated ICT Strategy for the Council is being finalised for approval. This and the accompanying Technology Roadmap which will follow will provide the framework for future ICT investment decisions. The initial focus for the ICT investment plan will focus on collaboration, as this will underpin the corporate ICT approach - the subsequent ICT investment strategy will need to respond to the final collaboration approach, and therefore will be pursued once collaboration is substantially developed. This will include end user devices and telephony solutions. There is also a need to modernise and digitise many of the Council's core business processes which is being picked up through the Our Transformation work.

15.7 Whilst the main focus will be on collaboration, work will continue on supporting services across the Council in developing ICT solutions to their needs, and these will be brought forward on a case by case basis.

15.8 Of the remaining ICT Strategy funding, c. £1m has been earmarked to support the further development of Manchester's Smart City agenda. The Corporate Core revenue budget report contains separate proposals for increasing the Council's capacity in this area including developing the priorities for future investment, building on the City Council's innovation and smart city programmes to date including the City Verve and Triangulum projects.

16 Adults, Children's and Corporate Services

16.1 The Adults, Children's and Corporate Services capital programme provides investment for the health and social care work of the City Council, and strategic investments. The programme is forecast to be £32.2m between 2020/21 and 2023/24 and the primary schemes within the programme are detailed below.

16.2 To provide integrated health and community services it is proposed to invest in a new facility at the Gorton District Centre (£19.9m). This is on an invest to save basis with the income from the leases to partners providing the funding to repay the build costs.

16.3 Financial support for the development of the project with Health Innovation Manchester (£8.8m), to conduct research on life science sub-sectors of health and medical technologies, will continue.

16.4 There is c. £1.9m available to fund the purchase of equity in car parking facilities at the Airport, which will support the development of the Airport and should provide a return to the City Council.

Potential Future Investment

16.5 Children's Services are currently developing a future estates strategy for their assets, aligning this to service plans. It is likely that capital investment will be required to support the ongoing provision of services to meet current and future needs.

16.6 This capital requirement is likely to include the maintenance of previous Sure Start centres, with the arrangements with providers reconsidered to ensure the ongoing operation of the sites and potentially an income stream to cover maintenance costs.

16.7 Adult Social Care have identified a potential need for investment to allow market intervention to develop care facilities that will meet current and future health and social care needs as well as addressing areas of market failure to ensure continuity of service. This may be short-term in nature, but could be of vital importance to limit the impact of such market issues on residents. By its nature this may need to be actioned quickly and efficiently in order to be successful, so appropriate budgets and approval routes will need to be considered.

16.8 Investment may also be needed to build capacity, and in particular creating capacity for specific care needs to ensure that there is appropriate provision for vulnerable residents. This may require new build facilities, or the acquisition of existing buildings which can be tailored to care models. This is likely to be closely linked to collaboration work with partners, such as the Health Service.

16.9 As noted above, there may also be an opportunity to invest in primary/community care hubs, similar to that being developed in Gorton although perhaps smaller in scale, working closely with the Health Service.

16.10 The Corporate Core needs to retain the ability to provide market intervention or allocate loans to third parties as part of a wider approach to investment which supports the achievement of strategic aims for the city and our residents. These are interventions which support the Council as a whole, and will be progressed on the basis of the business case for each.

16.11 There will also be a need to look into investment options regarding energy sources for the Council as a whole in order to achieve the Council's carbon aims, and this is likely to require a corporate approach.

17 Projects carried out on behalf of Greater Manchester

17.1 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, and specifically the Housing Investment Fund. The programme is currently estimated to be £70.0m in 2019/20 based on existing budget approvals and the value of investments now novated across to the Greater Manchester Combined Authority.

17.2 It is estimated that the loans being retained by the Council, due to the short term nature of them, will be repaid within the next 12 months.

18 Asset Management Planning

18.1 The current approved capital programme includes several asset management streams, for the current operational estate, housing, highways and schools.

18.2 The Executive Member Estates Board is responsible for the strategic direction and decision making for the operational estate, including estate asset management and estates transformation. These decisions support the activity contained within the Asset Management Programme which forms part of the Council’s approved capital budget.

18.3 As noted above, all future capital investment will be reviewed to assess the impact on carbon reduction, and this will need to include the Council’s corporate estate and housing stock.

18.4 The Council also holds significant assets on the basis of expected future regeneration projects. Work is undertaken to ensure that these assets are maintained until such time as the regeneration project can come to fruition. This may mean that the asset, such as land, could gain or lose value in the intervening period, but the overarching aim of the Council is to release the value in the asset once the regeneration has been completed, and such benefits may be wider than financial considerations.

19 Capital Financing

19.1 The Council has several funding streams available to fund capital expenditure. Alongside external grants and contributions that the Council may be eligible to receive, the Council can also use revenue funding, capital receipts and prudential borrowing.

19.2 Capital receipts are generated through the sale of assets. These receipts are ring-fenced, under legislation, to fund capital expenditure and cannot be used to fund the revenue budget.

Restrictions around funds

19.3 The capital financing strategy is set in the context of restrictions around certain capital funds, some statutory and some at the Council’s discretion.

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

19.5 The Council also operates the following fund restrictions:

- Housing capital receipts (both Housing General Fund and Housing Revenue Account) are reserved for use on new Housing projects;

- General Fund capital receipts will be used in the first instance to support the Asset Management Programme.
- Grants received will be used for the specific purpose intended even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

Prudential Borrowing

19.6 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision (MRP).

19.7 Where the Council has funded expenditure through borrowing it is required to make a minimum revenue provision towards the repayment of the debt. This ensures that the revenue cost of repaying the debt is spread over the life of the asset similar to depreciation. The Council's MRP policy is contained within the Treasury Management Strategy Statement.

19.8 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. It has been ensured that the proposed programme and the existing debt liabilities are affordable within the existing revenue budget.

19.9 In line with the Prudential Code requirements the Local Authority must have explicit regard to option appraisal and risk, asset management planning, strategic planning, and achievability of the forward plan.

19.10 It is important to recognise that there is a finite level of prudential borrowing that the Council could undertake, based on affordability within existing revenue budget constraints. This means that the Council has to work to develop schemes which attract external funding, or deliver a substantial return on investment. All proposed schemes are reviewed so that the revenue consequences are understood, including capital financing costs. The Prudential Indicators, included within the Treasury Management Strategy Statement, are intended to support decision making on debt.

19.11 Borrowing decisions are taken separately for the General Fund and HRA. Each must determine whether proposals requiring borrowing meet the requirements outlined above, although for the HRA it is depreciation rather than MRP which is incurred.

19.12 It is proposed that the City Council capital programme, excluding the projects carried out on behalf of Greater Manchester, for 2020/21 is funded as follows:

Fund	Housing Programmes		Other Programmes £m	**Total £m**
	HRA £m	Non-HRA £m		
Borrowing		1.3	199.1	**200.4**
Capital Receipts	0.5	5.0	23.3	**28.8**
Contributions		1.0	24.2	**25.2**
Grant	1.4	14.3	55.7	**71.4**
Revenue Contribution to Capital Outlay	36.9	1.0	14.7	**52.6**
Grand Total	**38.8**	**22.6**	**317.0**	**378.4**

19.13 As noted above the projects carried out on behalf of Greater Manchester will be funded via borrowing and capital receipts received as loans mature. This borrowing is provided by central Government and does not impact on the Council's capital financing budget.

19.14 Prudential borrowing of up to £578.8m over the period will be needed to support the City Council programme in line with the new schemes and previous planning and profile approval. The breakdown over 2020-2024 is:

- 2020/21 - £200.4m
- 2021/22 - £197.8m
- 2022/23 - £133.3m
- 2023/24 - £47.3m

a. The Housing HRA programme will not require prudential borrowing at this stage but it is likely that projects will be brought forward that will require HRA borrowing which will be reported to members.

b. The General Fund programme requires £578.8m of prudential borrowing which includes:

Scheme	**£m**
Highways Investment Plan	37.6
Bridge maintenance	6.8
Hyde Road (A57) Pinch Point Widening	2.1
Manchester Salford Inner Relief Road	0.1
Mancunian Way and Princess Parkway NPIF	1.4
Princess Rd Safety Review	0.4
School Crossing Patrols	2.7
A6 Stockport Road Pinch Point Scheme	0.7
Street Lighting PFI	3.7
Waste Contract	3.8
Blackley Cremator and Mercury Abatement	1.6
Hough End Master Plan	0.2
Parks Investment Programme	12.0
Indoor Leisure Provision at Abraham Moss	20.0
Manchester Regional Arena Track Replacement	0.7
Libraries investment	1.3
The Factory	20.6

Scheme	£m
Hammerstone Road	19.6
Carbon Reduction	8.3
Heron House	1.4
The Space Project	1.0
The Sharp Project	0.5
Civic Quarter Heat Network	13.5
Manchester College	5.0
Lincoln Square	1.2
Estates Transformation	6.9
Sustaining Key Initiatives	13.6
Eastern Gateway	0.8
Northern Gateway	18.8
Refurbishment of the Town Hall and Albert Square	275.8
West Gorton Regeneration	1.3
Ben Street Regeneration	0.9
ICT Investment Plan	33.7
Gorton integrated health development;	19.9
BioMedical Investment	8.8
Manchester Airport Car Park investment	1.9
Inflation Fund	30.0

19.15 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.

19.16 Further “spend to save” investment opportunities may arise and delegated authority is given to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The delegation is restricted to an annual limit of £5,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any additions are financed in full by additional income, revenue budget savings, or cost avoidance.

19.17 The proposed funding for the programme, including the inflation fund, across the forecast period is shown below:

	2019/20 budget £m	**2020/21 budget** £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**Total £m**
Grant	46.5	71.4	41.6	43.4	0.0	**202.9**
External Contribution	24.9	25.2	4.6	0.0	0.0	**54.7**
Capital Receipts	18.7	28.8	13.8	3.2	8.0	**72.5**
Revenue Contribution to Capital Outlay	26.0	52.6	31.0	28.4	0.0	**138.0**
Borrowing	131.9	200.4	197.8	133.3	47.3	**710.7**
Total	**248.0**	**378.4**	**288.8**	**208.3**	**55.3**	**1,178.8**

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

19.19 Work will continue to confirm the position for the capital programme from 2019/20 to 2023/24 and the final capital budget will be reported to Council in March. This will include the effect of any changes in the delivery of the current programme in 2019/20. It is expected that any changes will be a change to the profiling rather than a change to the estimated total funding requirement for the City Council.

20 Investments and Liabilities

20.1 The Council's capital programme and balance sheet contain investments made by the Council to support the achievement of strategic aims. A key part of the monitoring arrangements is reviewing these investments to ensure that they continue to perform as expected. With the increased national focus on council investment activities the Capital Strategy has been expanded to take a broader overview and to include relevant investments and liabilities.

Approach, Due Diligence and Risk Appetite

20.2 Council investments are managed in line with the Ministry of Homes, Communities and Local Government (MHCLG) investment guidance principles of security, liquidity and yield. The application of these principles will differ when considering capital investment rather than treasury management investment.

20.3 There is a clear distinction between capital investments, where the achievement of strategic aims will be considered and treasury management investments which are made for the purpose of cash flow management. The risk appetite for these two distinct types of investment may differ given the difference in expected outcomes.

20.4 The Council focuses its capital investments in line with its strategic objectives and priorities of the City and will take a more rounded view taking into account the economic and regeneration benefits to the city as well as security and liquidity. This may lead to a higher appetite for risk for the delivery of the City's priorities and broader economic gains. Each investment is considered on its own merit in line with the Checkpoint process and the risks, mitigations and benefits carefully assessed.

20.5 Schemes could include lending to organisations with low credit ratings if the appropriate security over the organisations assets can be provided, or guarantees from parent companies or organisations given. A key consideration for any capital investments is that income received from the investment covers the capital financing costs incurred by making it.

Summary of material investments, guarantees and liabilities

20.6 The Council has the current historic investments on the balance sheet as at 31 March 2019:

	Value as at 31/3/19 £m
Long-term Debtors	299.7
Long-term Investments	149.1
Investment Property	422.8
Total	**871.6**

20.7 The long-term debtors represent loan finance provided by the Council to other parties, and include the loans to Manchester Airport (£207.4m), Public Finance Initiative prepayments (£24.5m), and Manchester College (£17.7m). These loans are regularly reviewed, and would be impaired if there was a risk of default. Some of the loans are provided under guarantee from other organisations which will form part of the loan reviews.

20.8 The long-term investments are equity investments held by the Council, and include Manchester Airport (£112.4m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, and Matrix Homes (£6.5m). Investments are valued on an annual basis.

20.9 Investment property is held by the Council on the basis that it will generate a revenue return, for example land at Manchester Airport and at Eastlands. Some of the properties held are being held for regeneration purposes but provide a return and therefore are shown as investment property. Investment properties are independently valued on an annual basis.

20.10 The current capital programme contains the following expected capital investments, which will create either long-term debtors, investments or investment properties, to be made:

- Waste Contract - providing a loan to the contractor to upgrade vehicles;
- Civic Quarter Heat Network - creation of a heat network through a Council-owned company;
- Private Sector Housing Equity Loans - loans to residents to provide housing support;
- Manchester Airport Car Parks - financial support to the Airport to develop the business;
- Manchester College Loan - loan to support the College's expansion;
- Band on the Wall Loan - loan to support the development of the venue;
- Manchester Jewish Museum Loan – loan to support the development of the museum;
- Biomedical Investment - loan to support the development of health innovation; and
- Housing Investment Fund – *note, as detailed above, that elements of this project will transfer to the Combined Authority in the near future, with some retained by the City Council.*

There may be other projects which become capital investments, such as strategic acquisitions or land acquisitions under the Eastern and Northern Gateways but which are intended to ultimately be used for regeneration purposes.

20.11 As stated above all investments are scrutinised via the capital approval process with independent advice sought to assess risk where required. They are also reported to Executive for approval where appropriate. To assess the risk the Council may seek independent external advice including on any legal issues.

20.12 Where investments provide a return either through interest or dividends this can be used to support the revenue budget. In 2019/20 it is forecast that c. £62.9m of dividends will be used within the revenue budget. Where investments have been funded by borrowing the income received is used to fund the capital financing costs, for example the Airport Strategic Loan.

20.13 All investments are monitored regularly with the frequency based on risk, and at a minimum all investments will be reviewed once a year. Any material changes to the status of any investment will be reported to the Deputy Chief Executive and City Treasurer at the earliest opportunity.

Commercial Investments

20.14 The Council does not make commercial investments, to the extent that it does not make investments purely to make a financial return. Where the Council has and does make capital investments, it is for strategic or regeneration purposes.

21 Treasury Management

21.1 The nature and scale of the Council's capital programme means that it is a key factor in the Council's treasury management, including the need to borrow to fund capital works. The treasury management strategy for the Council is the subject of a separate report on the agenda.

21.2 There is a clear link between capital investment activities and treasury management activities, particularly with regard to how the Council will repay debt and the impact on the revenue budget. The principles of this are described in more detail below.

Long Term Planning (inc. MRP)

21.3 The treasury management strategy provides the framework within which treasury management decisions will be made during the financial year, but the consequences of those decisions will be longer lasting. In particular with regard to debt planning, treasury management decisions are made with the impact on future treasury management decisions in mind.

21.4 Under the Prudential Code, the Council must make an annual revenue provision for the repayment of debt, called the minimum revenue provision (MRP). This provision spreads the cost of repaying the debt for an asset over the useful economic life of that asset. It is important to consider MRP when making capital investment decisions as it is a real cost and will impact the revenue position.

21.5 The Council has regard to MHCLG's guidance on the application of MRP, and applies the principles. The Council applies the following asset lives when calculating MRP, unless there are asset-specific reasons for deviating from them – such deviation will be guided by qualified valuers recommendations on maximum useful lives:

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

21.6 When making debt decisions the Council takes into consideration the forecast MRP in each future financial year, and in the current market environment will seek to match debt repayments to MRP in each of those years as this is the most prudent approach.

21.7 The current long term forecast for external debt compared to the Capital Financing Requirement, and therefore the level of forecast internal borrowing, is shown at appendix 4. The external debt peaks as the forecast capital programme period ends, although this will change as further projects are brought forward in the future. A table showing the forecast profile for the Capital Financing Requirement is shown below:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'m					
Opening CFR	1,528.5	1,6710.6	1,842.3	2,006.5	2,103.5	2,113.5
Borrowing	131.9	200.4	197.8	133.3	47.3	0.0
Additional long term liabilities[1]	36.5	1.2	0.8	0.9	0.8	0.7
MRP	(26.3)	(29.9)	(34.4)	(37.2)	(38.1)	(42.7)
Closing CFR	**1,670.6**	**1,842.3**	**2,006.5**	**2,103.5**	**2,113.5**	**2,071.5**

21.8 Based on the revenue and capital budget forecasts, it is anticipated that the current level of internal borrowing (being the difference between the CFR and external debt) will begin to reduce. This is because both revenue and capital

[1] The additional long term liabilities are likely to increase following the introduction of International Financial Reporting Standard 16, due in April 2020. Work is underway to identify the impact of this, and it will be reported to members in due course, the estimate included in these figures is a c. £20m increase.

budgets assume the use of reserves, reducing the cash available to use instead of external borrowing.

21.9 The principles which the Council will follow when taking new debt, and how the debt portfolio will be managed, is set out in the Treasury Management Strategy Statement. This Treasury Management Strategy Statement also includes the authorised limit and operational boundary for external debt, based on the forecast debt requirement.

Risk appetite, key risks and sensitivities

21.10 For treasury management investments and debt the Council's risk appetite is extremely low with security of funds the primary concern. The Council seeks to invest surplus cash in instruments with high credit quality and for relatively short periods and to have debt options available at all times.

21.11 The role of the treasury management teams is to balance the risks associated with the management of cash, acknowledging that they cannot all be mitigated, and within that balance seek optimum performance in terms of liquidity and return.

21.12 The key sensitivities for the Council are changes in market conditions and the availability of debt. The team responsible for the treasury management function are in regular contact with brokers in the market and liaise regularly with the Council's treasury management advisors to review market conditions and debt opportunities to explore whether the Council could make use of them.

21.13 The Council's treasury management position and activities will be reported to Audit Committee throughout the financial year with any changes in market conditions or the Strategy highlighted to members.

22 Skills and Knowledge

22.1 The capital approval process and the requirements of the business case needed provides the framework for the knowledge needed to pursue a capital project. Information, advice and training on the requirements of the process is available for officers and Members. The Council has experience of delivering capital projects through the Capital Programme team and uses this experience to evaluate new proposals. All proposals are reviewed by the Senior Management Team, including the Deputy Chief Executive and City Treasurer.

22.2 Capital investments are reviewed under the same approval process and receive input from appropriately qualified and skilled Finance professionals.

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

23 Conclusions

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

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

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

24 Contributing to a Zero-Carbon City

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

24.2 For some projects, the aim of the investment will be to reduce the City’s carbon impact, for example the Civic Quarter Heat Network.

25 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

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

26 Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

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

(c) Legal Considerations

26.3 None in this report.

Capital Approval Process and Governance

Appendix 1

APPROVALS

CP1 – Sign off by Portfolio Board and Executive Member

Subject to Strategic Capital Board Approval and Member sign off

CP2 – Strategic Capital Board and Exec Members sign off to progress to CP4 spend subject to checks at CP3

Portfolio Boards approve Individuals Schemes against larger programmes

CP3 – Finance Approval Only

CP4

CP5

ACTIVITY

CP1 Initial Business Case Approval

Business Case to detail

- strategic fit
- economic, social and fiscal outcomes
- financial implications
- risk/deliverability

CP2 Detailed BC Approval

Update of CP1 including firming up on:

- Deliverables
- Costs/Benefits
- Outcomes
- Timelines

CP3 Funding Review

Detailed Finance checks to confirm funding streams

Allows formal Key Decision process to complete

Will enter capital budget at this point

CP4 Approval to Spend

Subject to approval at CP2 and CP3 then spend can commence, otherwise may require further clarification

No requirement for meeting/sign off (*unless further clarity*)

CP5 Project Review

Undertake project review to confirm outcomes, identify best practice and learn lessons.

Monitoring

Monitoring (PMO Lead)

Ongoing during delivery, showing progress against targets

Reports to:

Porfolio Boards, Strategic Capital Board, SMT/Executive Members, Executive

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

Adjustments to the Capital Budget February 2020 EXECUTIVE							
Dept	**Scheme**	**Funding**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**Future £'000**	**Total £'000**
Council Approval Requests							
Public Sector Housing	Rushcroft and Pevensey Courts Ground Source Heat Pumps	HRA Reserves		2,518	137		2,655
Public Sector Housing	Northwards Housing Programme	HRA Reserves		- 2,518	- 137		- 2,655
Growth and Development	Hammerstone Road Depot	Borrowing			4,763	695	5,458
Growth and Development	Carbon Reduction Programme	Borrowing			- 926		- 926
Public Sector Housing	Buying Back Former Council Homes	Capital Receipts		500	500	500	1,500
Neighbourhoods	Central Library Refresh	Borrowing		194	763		957
Total Council Approval Requests			**0**	**694**	**5,100**	**1,195**	**6,989**
Executive Approval Requests							
Highway Services	Maintenance Challenge Fund	Government Grant	50	1,025			1,075
Highway Services	Deansgate Streets for All Development Costs	Borrowing	20	255			275
Highway Services	Highways Investment Programme	Borrowing	- 20	- 255			- 275
Highway Services	Auto Bollard Replacement and Improvement	Parking Resrve		608			608
Children's	Basic Need Unallocated	Government Grant			4,408		

Corporate Services	VCSE Small Premises Works	Capital Fund		500	500		
Total Executive Approval Requests			**50**	**2,133**	**4,908**	**0**	**7,091**
Total Budget Adjustment Approvals			**50**	**2,827**	**10,008**	**1,195**	**14,080**

Please note that the additional budgets for 2019/20 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

Appendix 3 – the proposed Capital Programme Budget

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Highway Programme					
Highways Planned Maintenance Programme					
Planned Highways Maintenance Programme	400	75	0	0	0
Drainage	3,575	2,051	1,871	0	0
Large Patching repairs	2,884	1,311	1,311	0	0
Carriageway Resurfacing	6,485	3,697	3,563	0	0
Footway schemes	892	4,050	3,857	0	0
Carriageway Preventative	6,096	6,325	3,054	0	0
Bridge Maintenance	370	3,782	3,048	0	0
Other Improvement works	122	6,595	7,186	0	0
Highways Major Projects					
Hyde Road (A57) Pinch Point Widening	1,535	3,579	0	0	0
Manchester/Salford Inner Relief Road (MSIRR)	7,783	100	0	0	0
Great Ancoats Improvement Scheme	2,121	6,074	105	0	0
Mancunian Way and Princess Parkway NPIF	4,178	4,111	87	0	0
School Crossings	3,017	2,653	0	0	0
Cycle City Phase 2	1,475	2,843	0	0	0
Green Bridge at Airport City	2,055	839	71	0	0
A6 Stockport Road Pinch Point Scheme	183	730	8	0	0
Highways Stand Alone Projects Programme					
Velocity	54	0	0	0	0
Safe Routes to Loreto High School	212	0	0	0	0
20mph Zones (Phase 3)	70	86	0	0	0
Flood Risk Management - Hidden Watercourses	0	49	0	0	0
Flood Risk Management - Higher Blackley Flood Risk	0	41	0	0	0
Cycle Parking	15	0	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Shadowmoss Rd / Mossnook Rd	12	0	0	0	0
Princess Rd Safety Review	47	439	0	0	0
Public Realm	1,056	1,974	400	0	0
Street Lighting PFI	9,000	3,657	0	0	0
Didsbury West S106	1	23	0	0	0
A56 Liverpool Road	83	0	0	0	0
A56 Chester Road	51	0	0	0	0
Sunbank Lane S278	40	0	0	0	0
Sharston Roundabout SCOOT	40	0	0	0	0
Derwent Avenue S106	6	8	0	0	0
Woodhouse Park	50	15	0	0	0
Christie Extension RPZ	40	306	9	0	0
Residents Parking schemes	133	545	0	0	0
Arena Security Measures	185	12	0	0	0
Ladybarn District Centre	223	20	0	0	0
Levenshulme Mini Holland Cycling and Walking scheme	151	606	0	0	0
CCTV Operating System Upgrade	150	283	0	0	0
Northern/Eastern GW Walking and Cycling scheme-devel costs	119	601	0	0	0
Chimebank S.106	34	0	0	0	0
Highways Maintenance Challenge Fund	50	1,025	0	0	0
SEMMMS PROGRAMME					
Local Roads (temp SEMMMS A6 Stockport)	255	0	0	0	0
SEMMMs A6 to Manchester Airport	50	0	0	0	0
Bus Priority Package Programme					
Bus Priority Package - Oxford Road	5	302	0	0	0
Bus Priority Package - Princess Street/Brook Street	140	13	0	0	0
Total Highways Programme	**55,443**	**58,820**	**24,570**	**0**	**0**

Project Name	**2019/20 Proposed Budget**	**2020/21 Proposed Budget**	**2021/22 Proposed Budget**	**2022/23 Proposed Budget**	**2023/24 Proposed Budget**
Environment Programme					
Waste Reduction Measures	250	1,209	0	0	0
Waste Contract	2,089	3,840	0	0	0
Smart Litter Bins	258	0	0	0	0
Leisure Services Programme					
Parks Programme					
Hollyhedge Park Drainage IMPS	2	0	0	0	0
Heaton Park Pay & Display	8	0	0	0	0
PIP - Park Events Infrastructure	289	0	0	0	0
Parks Development Programme	413	3,136	2,965	2,965	2,965
Heaton Park Bowls	48	0	0	0	0
Somme 100 Year Memorial	33	0	0	0	0
Painswick Park Improvement	30	0	0	0	0
Heaton Park Southern Play Area	370	0	0	0	0
Wythenshawe Park Sport Facilities S106	139	0	0	0	0
Northenden Riverside Park	75	0	0	0	0
King George V Park	81	0	0	0	0
Leisure & Sports Facilities					
Indoor Leisure - Abraham Moss	1,408	5,962	13,168	902	0
Indoor Leisure - Moss Side	93	0	0	0	0
Boggart Hole Clough - Visitors Centre	0	535	0	0	0
Mount Road S106	32	0	0	0	0
Velodrome Track	71	0	0	0	0
HSBC UK NCC Immediate Works	450	0	0	0	0
Active Lifestyle Centre Artificial Grass Pitch Replacement	198	0	0	0	0
Interactive Football Wall - Platt Fields Park	84	0	0	0	0
MAC - Booth St Car Park	148	0	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Culture Website	42	0	0	0	0
Festive Lighting Strategy	138	0	0	0	0
Manchester Regional Arena Track Replacement	812	254	434	0	0
Cremator & Mercury Abatement Plant Replacement Strategy	0	1,007	544	0	0
Hough End Master Plan - Strat Football Hub Development Costs	52	189	0	0	0
Range Stadium Capital Project	465	0	0	0	0
Libraries and Info Services Programme					
Relocation of Manchester Visitor Info Centre (MVIC)	59	0	0	0	0
GM Archives Web Portal	48	80	0	0	0
Central Library Wolfson Award	32	0	0	0	0
Central Library Refresh	0	194	763	0	0
Roll Out of Central Library ICT	7	0	0	0	0
Newton Heath Library	17	0	0	0	0
Open Libraries	157	301	0	0	0
Contact Theatre loan	200	0	0	0	0
Total Neighbourhoods Programme	**8,598**	**16,707**	**17,874**	**3,867**	**2,965**
Cultural Programme					
First Street Cultural Facility	14	0	0	0	0
The Factory (Build)	29,860	53,959	13,277	0	0
The Factory (Public Realm)	210	1,723	457	0	0
Corporate Estates Programme					
Asset Management Programme	9,317	11,650	9,030	0	0
MAC feasibility works	933	0	0	0	0
Town Hall Complex Transformation Programme	67	0	0	0	0
Hammerstone Road Depot	163	9,333	9,524	695	0
Carbon Reduction Programme	697	6,388	1,959	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Estates Transformation	0	0	800	0	0
Estates Transformation - Hulme District Office	702	0	0	0	0
Estates Transformation - Alexandra House	5,639	5,994	133	0	0
Ross Place Refurbishment	434	0	0	0	0
Proud Trust - Sidney Street	250	0	0	0	0
Development Programme					
Digital Assets Board (MCDA)					
The Space Project - Phase 2	0	987	0	0	0
The Sharp Project	60	540	0	0	0
Digital Asset Base - One Central Park	3,651	0	0	0	0
Strategic Acquisitions Board					
Strategic Acquisitions Programme	5,860	3,000	1,323	0	0
Sustaining Key Initiatives	0	0	5,000	8,600	0
Northern Gateway					
Northern Gateway	6,175	6,675	7,275	4,875	0
Eastern Gateway					
Eastern Gateway - Central Retail Park	400	729	0	0	0
Eastern Gateway - New Islington Marina	3,522	61	0	0	0
Hall and Rogers	57	0	0	0	0
City Centre					
ST Peters Square	999	0	0	0	0
Medieval Quarter Public Realm	76	1,587	0	0	0
City Labs 2	2,023	0	0	0	0
Manchester College	5,000	5,000	0	0	0
Digital Business Incubators	2,000	0	0	0	0
Lincoln Square	0	0	1,200	0	0
Other Strategic Development Initiatives					
Hulme Hall Rd Lighting	36	0	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
New Smithfield Market	0	469	0	0	0
Heron House & Registrars	3,085	1,388	0	0	0
Civic Quarter Heat Network	9,557	9,507	4,000	0	0
Total Growth & Development Programme	**90,787**	**118,990**	**53,978**	**14,170**	**0**
Town Hall Refurbishment Programme					
Our Town Hall refurbishment	17,051	49,132	92,739	99,321	34,652
Total Town Hall Refurbishment Programme	**17,051**	**49,132**	**92,739**	**99,321**	**34,652**
Private Sector Housing Programme					
Brunswick PFI					
Brunswick PFI Land Assembly	1,176	550	558	0	0
Collyhurst					
Collyhurst Regeneration	0	178	1,000	2,700	0
Collyhurst Environmentals	0	55	0	0	0
Collyhurst Land Assembly Ph1	4	29	0	0	0
Collyhurst Land Acquisitions Ph2	0	0	210	799	0
Eccleshall Street - 3 Sites	0	500	0	0	0
Housing Investment Model	0				
Site Investigation and Early Works HIF Pilot Sites	185	65	0	0	0
Miles Platting PFI					
Miles Platting PFI Land Assembly	6	550	0	0	0
Private Housing Assistance					
Disabled Facilities Grant	6,500	7,501	6,200	0	0
Toxteth St CPO & environmental works	15	141	0	0	0
Bell Crescent CPO	0	0	0	0	482

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Redrow Development Programme					
Redrow Development Phase 2 onward	3	20	0	0	0
West Gorton					
West Gorton Compensation	0	4	0	0	0
West Gorton Ph 2A Demolition & Commercial Acquisitions	15	433	904	0	0
Private Sector Housing - Stand Alone Projects					
HCA Empty Homes Cluster Phase 2	386	415	891	0	0
Princess Rd	0	100	0	0	0
Empty Homes Scheme (s22 properties)	0	2,000	0	0	0
HMRF	100	40	54	0	0
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)	-3	0	664	0	0
Extra Care	0	1,245	1,200	0	0
Moston Lane Acquisitions	0	0	0	0	7,500
Equity Loans	0	397	0	0	0
West Gorton Community Park	1,026	805	0	0	0
Ben St. Regeneration	379	877	0	0	0
Marginal Viability Fund - New Victoria	505	6,705	3,290	0	0
Total Private Sector Housing Programme	**10,297**	**22,610**	**14,971**	**3,499**	**7,982**
Public Sector Housing					
Northwards - External Work					
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	3,740	8,209	3,574	0	0
External cyclical works phase 3a	2	0	0	0	0
Harpurhey Lathbury & 200 Estates external cyclical works ph 3b	0	-18	31	0	0
Environmental works	19	0	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Harpurhey Shiredale Estate externals	0	0	15	0	0
Moston Miners Low Rise externals	0	0	18	0	0
Newton Heath Limeston Drive externals	0	0	6	0	0
External cyclical works ph 3b Moston Estates (Chauncy/Edith Cliff/Kenyon/Thorveton Sq)	0	0	2	0	0
External cyclical works ph 3b Ancoats Smithfields estate	156	25	0	0	0
External cyclical works ph 4b Charlestown Chain Bar low rise	0	0	45	0	0
External cyclical works ph 4b Charlestown Chain Bar Hillingdon Drive maisonettes	0	0	15	0	0
External cyclical works ph 4b Cheetham Appleford estate	0	0	2	0	0
External cyclical works ph 4b Crumpsall Blackley Village	0	0	34	0	0
External cyclical works ph 4b Higher Blackley South	6	0	1	0	0
External cyclical works ph 4b Newton Heath Assheton estate	0	0	27	0	0
External cyclical works Ph 4b Newton Heath Troydale Estate	0	0	89	0	0
External cyclical works Ph 5 New Moston (excl corrolites)	0	0	9	0	0
Environmental improvements Moston corrolites	75	21	0	0	0
ENW distribution network phase 4 (various)	222	5	0	0	0
Dam Head - Walk up flates communal door renewal	140	0	0	0	0
Various Estate based environmental works	65	100	135	0	0
Delivery Costs	816	918	440	0	0
Northwards - Internal Work					
Decent Homes mop ups ph 9 and decent homes work required to voids	1	0	89	0	0
One offs such as rewires, boilers, doors, insulation	3	0	30	0	0
Ancoats - Victoria Square lift replacement	427	0	0	0	0
Aldbourne Court/George Halstead Court/Duncan Edwards Court works	12	0	0	0	0
Boiler replacement programme	-5	-6	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Harpurhey - Monsall Multis Internal Works	1,500	1,062	200	0	0
Newton Heath - Multies Internal Works	200	3,153	250	0	0
Higher Blackley - Liverton Court Internal Works	800	45	0	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	2,598	132	0	0	0
Charlestown - Rushcroft/Pevensey Court Internal Works	700	711	150	0	0
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	2,348	343	106	0	0
Decent Homes mop ups phase 10 and voids	378	384	0	0	0
One off work - rewires, boilers, doors	158	0	0	0	0
Fire precautions multi storey blocks	0	150	0	0	0
Installations of sprinkler systems - multi storey blocks	218	0	273	0	0
ERDF Heat Pumps	0	3,768	350	0	0
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	0	0	525	0	0
One off type work (rewires/boilers/doors)	100	300	0	0	0
Fire Risk Assessments	300	3,046	2,500	0	0
Northwards - Harpurhey 200 Estate Internal Works	250	686	0	0	0
Rushcroft and Pevensey Courts Ground Source Heat Pumps	0	2,518	137	0	0
Delivery Costs	1,814	1,440	492	0	0
Northwards - Off Debits/Conversions					
Bringing Studio Apartments back in use	7	0	10	0	0
Various Locations - bringing bedsits back into use	0	0	104	0	0
Delivery Costs	2	0	13	0	0
Homeless Accommodation					
Improvements to Homeless accommodation city wide	1	0	36	0	0
Plymouth Grove Women's Direct Access Centre	0	0	28	0	0
Improvements to Homeless Accommodation Phase 2	345	662	147	0	0
Delivery Costs	46	73	23	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Northwards - Adaptations					
Public Sector Northwards Adaptations	200	0	0	0	0
Adaptations	750	770	0	0	0
Northwards - Unallocated					
Northwards Housing Programme	0	2,120	0	21,982	0
Retained Housing Programme					
Collyhurst Maisonette Compensation & Demolitions	0	89	0	935	0
West Gorton Regeneration Programme					
West Gorton PH2A Low & High Rise Demolition	10	16	0	0	0
Future Years Housing Programme					
Collyhurst Estate Regeneration	0	0	0	1,541	0
Buy Back Properties - Right to Buy	155	0	0	0	0
Collyhurst Regen - Highways Phase 1	0	190	97	1,394	0
Collyhurst Regen - Churnett Street	0	0	0	790	0
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	0	125	0	0	0
Willert Street Park Improvements	0	10	0	0	0
North Manchester New Builds	227	319	0	0	0
North Manchester New Builds 2	442	2,850	0	0	0
North Manchester New Builds 3	294	351	0	0	0
Parkhill Land Assembly	0	0	4,270	0	0
Collyhurst	100	3,655	13,890	955	0
Buying Back Former Council Homes	0	500	500	500	0
Total Public Sector Housing (HRA) Programme	**19,622**	**38,722**	**28,663**	**28,097**	**0**
Children's Services Programme					
Basic Need Programme					
Holy Trinity VC Primary	47	0	0	0	0

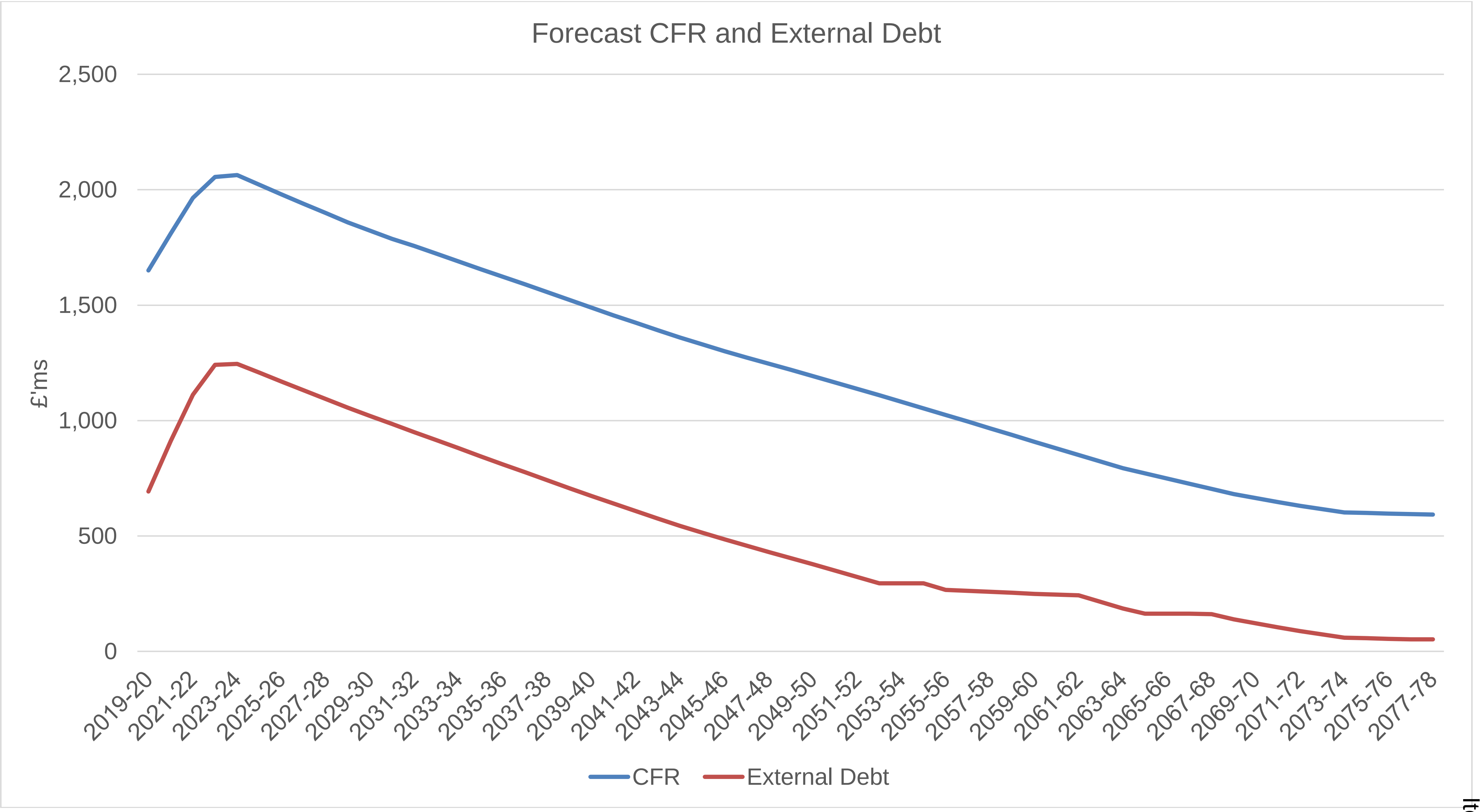
Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Lytham Rd	100	0	0	0	0
Plymouth Grove Refurbishment	107	0	0	0	0
Beaver Rd Primary Expansion	94	0	0	0	0
Lily Lane Primary	54	0	0	0	0
St. James Primary Academy	8	0	0	0	0
Crossacres Primary School	30	0	0	0	0
Ringway Primary School	5	0	0	0	0
Webster Primary Schools	11	0	0	0	0
Dean Trust Expansion	1,000	2,784	0	0	0
Brookside Rd Moston	362	4,920	1,745	28	0
North Hulme Adv Playground	278	3,400	683	11	0
Monsall Road (Burgess)	290	3,717	979	20	0
Roundwood Road	330	5,525	1,127	34	0
KS3/4 PRU Pioneer Street	70	0	0	0	0
SEND Expansions - Melland & Ashgate	866	0	0	0	0
Basic need - unallocated funds	200	488	22,115	43,286	0
Universal Infant Free School Meals (UIFSM) - Allocated	266	0	0	0	0
Universal Infant Free School Meals (UIFSM) - Unallocated	75	0	0	0	0
Schools Maintenance Programme					
Moston Lane - re-roof	19	0	0	0	0
Abbott Primary School Fencing	11	0	0	0	0
Crowcroft Park PS-Rewire	-2	0	0	0	0
Broad Oak Primary School Kitchen	85	730	0	0	0
All Saints Primary Rewire	419	0	0	0	0
Armitage Primary Windows	101	0	0	0	0
Bowker Vale Primary Heating	267	0	0	0	0
Buton Lane Primary Roof	183	0	0	0	0
Cheetwood Primary Heating	142	0	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
Crosslee Comm Heating	81	0	0	0	0
Crowcroft Park Roof Repairs	120	0	0	0	0
Grange School Sports Hall	163	0	0	0	0
Higher Openshaw Rewire	773	0	0	0	0
Lily Lane Primary Windows	7	46	0	0	0
Moston Fields Joinery	184	0	0	0	0
Ringway Primary Roof	175	0	0	0	0
Sandilands Primary Windows	106	0	0	0	0
St Mary's Junior Windows	34	0	0	0	0
Ringway Primary School	10	0	0	0	0
Alma Park Gas Improvement	1	0	0	0	0
Schools Capital Maintenance - unallocated	1,644	2,854	3,000	0	0
Education Standalone Projects					
Paintpots	3	6	0	0	0
Early Education for Two Year Olds - Unallocated	0	52	0	0	0
Gorton Youth Zone	1,275	0	0	0	0
Healthy Pupil Capital Funding	257	0	0	0	0
North Ridge SEN	283	2,747	9	0	0
Special Educational Needs grant	0	1,160	0	0	0
Seymour Road	1,200	0	0	0	0
Commercial Wharf/ISS Refurbishment of YJS Building	294	0	0	0	0
Ghyll Head	25	1,091	0	0	0
Acquisition of land at Hyde Road	13,144	13	12	0	0
Total Children's Services Programme	**25,197**	**29,533**	**29,670**	**43,379**	**0**
ICT Capital Programme					
ICT					

Project Name	**2019/20 Proposed Budget**	**2020/21 Proposed Budget**	**2021/22 Proposed Budget**	**2022/23 Proposed Budget**	**2023/24 Proposed Budget**
Solaris	2	0	0	0	0
ICT Infrastructure & Mobile Working Programme					
New Social Care System	1,699	0	0	0	0
End User Computing	117	0	0	0	0
Core Infrastructure Refresh	83	0	0	0	0
Internet Resilience	23	27	0	0	0
New Rent Collection System	33	0	0	0	0
Communications Room Replacement Phase 2	61	1,795	3,996	514	0
Data Centre Network Design and Implementation	2,867	250	0	0	0
End User Experience	699	3,425	0	0	0
Replacement Coroners System	83	0	0	0	0
Telephony	0	200	200	0	0
ICT Investment Plan	0	0	6,728	8,900	7,690
Infrastructure					
Wider Area Network Redesign	22	0	0	0	0
Total ICT Programme	**5,689**	**5,697**	**10,924**	**9,414**	**7,690**
Corporate Capital Programme					
ONE System Developments	11	0	0	0	0
Pay and Display Machines	750	174	0	0	0
Phase 1 Implementation - Locality Plan Programme Office	485	100	0	0	0
Integrated Working - Gorton Health Hub	1,970	17,171	2,272	481	0
Alcohol Treatment for Fibroscan Machine	40	0	0	0	0
BioMedical Investment	7,958	6,100	2,700	0	0
Band on the Wall	200	0	0	0	0
Manchester Jewish Museum Loan	0	290	0	0	0
Manchester Airport Car Park Investment	3,700	1,900	0	0	0

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
FC United	250	0	0	0	0
VCSE Small premises works	0	500	500	0	0
Total Corporate Capital Programme	**15,364**	**26,235**	**5,472**	**481**	**0**
Inflation Fund	0	12,000	10,000	6,000	2,000
Total Manchester City Council Capital Programme	**248,048**	**378,446**	**288,861**	**208,228**	**55,289**
Projects carried out on behalf of Greater Manchester					
Housing Investment Fund	70,000	0	0	0	0
Total GM projects	**70,000**	**0**	**0**	**0**	**0**
Total CAPITAL PROGRAMME	**318,048**	**378,446**	**288,861**	**208,228**	**55,289**

Appendix 4 – Capital Financing Requirement and Forecast External Debt



Manchester City Council
Report for Resolution

Report to: Executive - 12 February 2020

Subject: Council Business Plan 2020/21

Report of: Chief Executive

Summary

This report presents the Council Business Plan for 2020/21. Our Corporate Plan sets out the Council's priorities for the next 2-3 years which will deliver the three-way push and contribute to our vision for the city. Our Council Business Plan 2020-21 describes in more detail the action we are taking to deliver our corporate plan this year.

Recommendation

That the Executive review and approve the Council Business Plan 2020/21

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
This paper proposes the inclusion of an additional Corporate Plan priority - 'Zero Carbon Manchester' to reflect the city's zero carbon ambitions and declaration of the climate emergency. The plan therefore ensures specific organisational focus on activity driving this priority and therefore achieving the zero-carbon target for the city.

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	Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering. Our Council Business Plan 2020-21 describes in more detail the action we are taking to deliver our Corporate Plan in 2020-21 and as such makes contributions to all of the Our Manchester Strategy outcomes
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	

A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report are to be read in conjunction with papers forming part of the preparation of the Council's revenue and capital budget for 2020/21, also reported to the Executive for approval.

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1. Introduction

1.1. The purpose of this report is to present the Council Business Plan 2020-21. The Plan is attached to this report at Appendix 1.

1.2. Our Corporate Plan sets out the Council's priorities for the next 2-3 years which will deliver the three-way push and contribute to our vision for the city. Our Council Business Plan 2020-21 describes in more detail the action we are taking to deliver our corporate plan this year. It is supported by our wider strategic framework including our People Strategy and our ICT Strategy.

2. Background

2.1. Our Council Business Plan replaces individual directorate business plans produced previously. This plan is structured around the eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council.

2.2. Each priority theme section describes:

- The priority theme, including key strategies and plans which are helping to drive deliver
- Our key achievements driving delivery of this priority theme in the last year
- Our planned activities and initiatives across council services which will drive delivery of the priority theme in 2020-21
- The key measures which will help us to understand if we have been successful

2.3. This plan does not refer in detail to the Council's budget position for 2020-21 which is described in individual budget plans for each of the Council's directorates.

2.4. The plan also describes the Council's key workforce and technology considerations for 2020-21 as key enablers to delivering our Corporate Plan. Equalities implications are also described as well as our approach to risk management.

2.5. The full draft document was presented to all Scrutiny Committees for comment and feedback in January.

2.6. A number of minor changes have been made to the document following the meetings, many of which as a result of the queries and feedback which focused on:

- areas requiring clarification/further detail
- specific comments on a number of the metrics included in the document, and
- queries relating to our approach to Equalities, Diversity and Inclusion.

2.7. The Equalities, Diversity and Inclusion section in the Council Business Plan includes detail of the approach we take to meeting our obligations under the

Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions.

2.8. The changes made to the plan are as follows:

- In the 'measures of success' section in each priority section, the illustrative out-turn figures from 17/18 and 18/19 have been removed to enable focus on future performance.
- Some wording updates have been made to the Young People and Neighbourhoods sections to ensure accurate read-across and reference to other strategies and plans.
- Notes and changes have been added to some of the metrics to clarify why data is not available and may not be available in future years, to better articulate trends in the narrative, and for metrics which were previously described as only a 'rate per 1,000' the actual number is now also referred to.
- The 'Healthy, Cared for People' section now includes reference to a number of metrics and has been restructured to more clearly align to the wider health and social care partnership planning arrangements.

Appendix 1: Council Business Plan 2020-21

Our Corporate Plan

Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. Our Manchester is the vision that the whole city - not just the Council - is working towards.

Our vision is for Manchester to be in the top flight of world-class cities by 2025 and to be somewhere that is:

- Thriving
- Full of talent
- Fair
- A great place to live
- Connected

The transformed Manchester that the vision aims for is so ambitious that business-as-usual approaches will not get us there.

To make that vision happen for everyone by 2025, as resources shrink and demand grows, the Our Manchester approach involves a three-way push to:

- Keep the basics on track
- Prevent problems down the line
- Tackle complex problems together

Our Corporate Plan sets out the Council's priorities for the next 2-3 years which will deliver the three-way push and contribute to our vision for the city. Our Council Business Plan 2020-21 describes in more detail the action we are taking to deliver our corporate plan this year. It is supported by our wider strategic framework including our People Strategy and our ICT Strategy.

A number of key activities will support delivery of a number of our corporate plan priorities including:

- Delivery of our approach to place-based reform in Manchester - Bringing Services Together for People in Places
- Integration of Health and Social Care through partnership arrangements with the NHS
- Delivery of the Local Industrial Strategy which will deliver inclusive and green growth for the city of Manchester
- Delivery of Our Transformation - a new Council-wide portfolio of programmes which has been set up with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a 'well managed council'
- Continuing to ensure that the 'Our Manchester' approach is the way we do things here, rather than a thing we do

Our Corporate Plan priorities have been refreshed for 2020-21 to reflect the city's zero carbon ambitions and declaration of the climate emergency, the launch of the local industrial strategy for the city, the headlines from the 2019 State of the City report, and the planning for internal transformation.

Our Corporate Plan priorities going forward are, in no particular order of importance:

Zero carbon Manchester

Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide:

- Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met
- Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan
- Contribute to improvements in air quality across Manchester required in the Clean Air Plan

Young People

From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better:

- Ensure all children have high-quality education
- Support more Manchester children to have the best possible start in life and be ready for school and adulthood
- Reduce number of children needing a statutory service
- Reduce the number of children growing up in family poverty

Healthy, cared-for people

Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives:

- Support Mancunians to be healthy, well and safe
- Improve health and reduce demand by integrating neighbourhood teams, that are connected to other services and assets locally, delivering new models of care
- Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless

Housing

Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes:

- Accelerate and sustain the delivery of more housing
- Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes

Neighbourhoods

Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of:

- Enable clean, safe, vibrant neighbourhoods

Connections

Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks:

- Improve public transport and highways, and make them more sustainable
- Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy

Growth that benefits everyone

Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy:

- Support good-quality job creation for residents, and effective pathways into those jobs
- Facilitate economic growth of the city

Well-managed Council

Support our people to be the best and make the most of our resources:

- Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
- Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in demand through reform, and generating income

Our Council Business Plan for 2020-21

This plan is structured around the eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council, including continuing to ensure we are getting the basics right as well as preventing problems down the line, and tackling complex issues together.

The focus is on both priorities and initiatives which we are delivering across the city, but also where relevant includes detail of activity which is taking place at a locality or neighbourhood level, working with specific strengths or challenges in that part of the city.

Each priority theme section describes:

- The priority theme, including key strategies and plans which are helping to drive deliver
- Our key achievements driving delivery of this priority theme in the last year
- Our planned activities and initiatives across council services which will drive delivery of the priority theme in 2020-21
- The key measures which will help us to understand if we have been successful

This plan does not refer in detail to the Council's budget position for 2020-21 which is described in individual budget plans for each of the Council's directorates.

The plan also describes the Council's key workforce and technology considerations for 2020-21 as key enablers to delivering our Corporate Plan. Equalities implications are also described as well as our approach to risk management.

Our Corporate Priorities

Zero Carbon Manchester

Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide:

- Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met
- Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan
- Contribute to improvements in air quality across Manchester required in the Clean Air Plan

The Our Manchester Strategy sets out the vision for Manchester to 'be in the top flight of world-class cities by 2025' and commits the city to 'playing its full part in limiting the impacts of climate change'.

The Council declared a climate emergency in July 2019. Manchester has committed to emit only 15m tonnes CO_2 during 2018-2100, become a zero carbon city by 2038, which means reducing emissions by at least 13% every year.

Manchester City Council's Zero Carbon 2038 Action Plan will be finalised by end March 2020, detailing how the city's zero carbon ambitions will be delivered. The action plan will include workstreams to address:

- Internal direct emissions
- External influence and policy
- Quantifiable carbon savings
- Achieving approximately 50% reduction in 4 - 5 years

Poor air quality is the largest environmental risk to the public's health. Taking action to improve air quality is crucial to improve population health. The ten GM authorities, supported by Transport for Greater Manchester, have now developed a draft package of co-ordinated and robust measures. **The GM Clean Air Plan** is anticipated to contribute to the Our Manchester Strategy by:

- Improving air quality across Greater Manchester,
- Ensuring that residents can access job opportunities and other services in a safe and clean environment,
- Reducing congestion and air pollution, improving perceptions of the city, and reducing carbon emissions,
- Investing in and maintaining the city's transport infrastructure, helping to drive growth.

Every council service is responsible for working together to deliver this priority with some services (City Policy, Neighbourhoods, Financial Management, Growth and Development) taking a lead role in the development of the Zero Carbon 2038 Action Plan.

As of July 2019 the city had achieved a 5% reduction in carbon emissions since

2017. In 2018 the city achieved a 40% reduction in emissions since 2005 and is now projected to achieve the 41% reduction in carbon emissions by 2020.

Data for the 2018/19 financial year shows that the Council's direct emissions have reduced by 48.1% since the 2009/10 baseline meaning that the 41% target has been achieved and surpassed a year ahead of schedule.

Data derived from Manchester's two permanent air quality monitoring stations shows that recent concentrations of NO_2 have fallen at both the Oxford Road and Manchester Piccadilly sites since the 2015 baseline (from 66 ug/m^3 to 62ug/m^3 and from 39ug/m^3 to 35ug/m^3 respectively).

Activities supporting delivery of this priority

- Drive progress in transitioning to a Zero Carbon Council and city by 2038 at the latest through changing our decision-making, policies, standards and external influencing
- Support delivery of the Zero Carbon 2038 target for Manchester by:
  - Moving to a position where new homes (and other buildings) generate zero emissions when occupied and have significantly less emissions embodied in their materials and the construction phase;
  - Delivering a comprehensive approach to existing homes (and other buildings) through the application of retrofit schemes that improve their energy efficiency;
  - Working towards all new development being zero carbon by 2028 as per the ambition set out in the draft Greater Manchester Spatial Framework
- Embed the Council's climate change priority across communication services, providing leadership, supporting effective communications and taking practical steps to reduce our impact
- Deliver the Corporate Estates Carbon Reduction Programme phase 1 by focusing on reducing energy in 13 of the highest energy consuming buildings
- Review waste collection fleet in line with the aims of Clean Air Plan and Zero Carbon Strategy
- Deliver high quality green & blue infrastructure, including:
  - Protecting and enhancing open spaces and biodiversity
  - Maximising the role of green spaces to sequester carbon, contributing to a reduction in atmospheric CO_2 concentration.
  - Establishing the Carbon Reduction Plan for the Parks service and bring forward investment cases for CO_2 reduction and CO_2 sequestration measures
- Ensure Manchester's next Local Plan fully embeds our climate change commitments into the next phase of development of the city, promoting residential development which is in line with the Council's targets to be Zero Carbon by 2038
- Commit to reducing carbon throughout all programmes of work and raise awareness of carbon usage and looking for 'greener' alternatives
- Progress delivery of the Civic Quarter Heat Network, which will provide a highly efficient, environmentally-friendly heat and power solution for some of Manchester's most iconic buildings, making significant carbon reductions.

● Drive forward the introduction of electric fuelling infrastructure, plant and equipment for all MCC services and ensure all fleet vehicles, including the waste fleet, meet the required emissions standards in preparation of the introduction of the Greater Manchester Clean Air Zone. ● Develop a plan for external influence at a city, city region and national level
Key measures of success
% reduction in MCC Direct CO^2 Emissions against 2009/10 baseline
Projected CO^2 % reduction against 2005 baseline by 2020
Reduce the city's and the council's carbon emissions by on average 13% year on year to 2038, representing a 50% reduction in the next 4-5 years
Reach the net zero carbon emissions target by 2038, or earlier if possible

Young People

From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better:

- Support more Manchester children to have the best possible start in life and be ready for school and adulthood
- Ensure all children have high-quality education
- Reduce number of children needing a statutory service

The Children and Young People's Plan – Our Manchester, Our Children (2016–2020) – describes a vision for 'building a safe, happy, healthy and successful future for children and young people' whilst the Children's and Education Services Directorate Plan 2018-21 outlines how the directorate will contribute to support and deliver against the objectives, principles and passions outlined in the Children and Young People Plan and emerging priorities

In 2019-20 there has been a focus on developing and delivering a model for delivering this vision, through our Children's and Education services which strengthens partnerships and delivers local, place-based services on a city-wide, locality and neighbourhood footprint, with a greater focus on prevention and early support. This locality delivery model includes collaboration with Manchester Local Care Organisation (MLCO) and aligns to Bringing Services Together for People in Places and Manchester's Multi Agency Safeguarding Arrangements (MMASA).

Together with our Children's and Education services; Parks, Leisure, Youth & Events, Libraries and Work and Skills, in partnership with key external partners, play a significant role in delivering the Young People priority. Recent achievements include:

- Improved attainment outcomes for Manchester's children at all key stages from the levels achieved in the 2016-17 academic year to those achieved in the

2017-18 academic year, with improvements for looked after children (LAC) achieving grade 5 or above in both English and Maths at KS4 over this period being greater for Manchester's LAC than LAC in England as a whole. ● Implementation of a redesigned ‘front door’ - the Advice and Guidance Service - to deliver a more coordinated and efficient Children's Social Care service as part of the implementation of the wider locality programme. These improvements were evidenced by the number of referrals made into the service dropping from 13,228 in 2017/18 to 11,174 in 2018/19 and a reduction in the number of children where no further intervention was required, through better engagement with wider agencies, enabling an early help approach ● Reduced the number of children and young people subject to child protection plans from 982 at the end of 2017/18 to 787 at the end of 2018/19 and increased our early help and family support offer, preventing the need for a statutory child protection intervention ● Throughout 2017/18, 19,000 children and young people participated in youth and play provision through our commissioned activity, 7,000 engaged in social action projects and 28,000 voted in the Make Your Mark ballot. ● Reduction in the number of 16-17 year olds who were not in education, employment or training in 2018/19 from the levels seen in 2017/18. ● Delivery of Adverse Childhood Experience (ACE) Pilot in Harpurhey from July 2018 to July 2019, with 600+ staff trained in Trauma Awareness. ● Our school catering service received an award for the ‘Food for Life Served Here’ initiative demonstrating Manchester’s children and young people are provided with fresh, local and honest food in schools ● Launch of Manchester’s Inclusion Strategy, developed with multi-agency partners to help us work together in supporting children and young people to good attendance, and to reduce the risk of all types of exclusion. ● Development of Our Manchester Youth Offer Strategy (2019-25) to ensure that young people have access to high quality youth offer that addresses both universal and targeted needs in order to foster high aspirations and independence. ● Attracted 18,000 school participants at Manchester Art Gallery in 2018/19.
Activities supporting delivery of this priority
Support Manchester’s children to be safe, happy and healthy and reduce the number of children needing a statutory service; ● Deliver children’s services through the integrated locality based delivery model, ensuring timely and impactful intervention from the right service at the right time. ● Drive high quality safeguarding practice and robust and effective child protection plans by providing a high challenge and high support environment through the delivery of a coordinated quality assurance framework. ● Safely reduce the number of children looked after and/or in need of a statutory service including exploration of the implementation of the Strengthening Families Programme, a multi-agency ‘think family’ approach using motivational interviewing and through strengths and relationship based practice ● Deliver the sufficiency strategy, ensuring there is the right provision available locally to meet the needs of Manchester’s children that are looked after by the council.

- Support children and young people to influence the decisions that impact on them by enabling their voice and feedback to be heard.
- Refresh and launch of the Children and Young People's Plan 2020 - 2024. This will be informed by consultation with partners and young people, with shared ownership of the priorities - supporting Manchester's children to be safe, happy, healthy and successful.
- Work in partnership with the NHS to promote and support healthy food choices by providing educational sessions and offering an inclusive range of food in schools.
- Implement the new 3 year strategy for young people - Manchester Youth Offer which will focus on ensuring young people are thriving, are skilled, resilient, and healthy.
- Support the 'Young Manchester' charity to fairly distribute funding to the city's youth and play providers so that they can increase the provision of services.
- Maximise young people's awareness of the city's wider youth offer and relaunch the Manchester Youth Council to ensure young people are connected, valued and heard in all we do.
- Help prevent and reduce families and young people presenting with homelessness, becoming and remaining homeless and being supported in temporary accommodation (detail on the activities to support these are included in the healthy, cared for people priority).

Ensure Manchester's children are ready for and receive a high-quality education and support them to be successful and fulfil their potential;

- Improve outcomes for all children and reduce the gap to national levels with a particular focus on reading, improving school readiness and improving outcomes for children and young people with special education needs or disabilities.
- Develop and implement new partnership arrangements with early years providers.
- Develop a self improving schools system through the Manchester Schools Alliance and other partnerships, including a model for teams around the school and school clusters
- Increase the percentage of Manchester's schools which are judged by Osted as good or better, and develop a coordinated approach to quality assurance of 'education other than at school'.
- Provide high class education facilities in accordance with the Council's Basic Needs requirements and ensure there are a sufficient number of school places available for the city's children.
- Provide services in Early Years services including 55 Sure Start Centres
- Implement the Inclusion Strategy to promote inclusion and prevent exclusion (including exclusion from schools).
- Increase the number of schools and colleges in the City achieving the Gatsby benchmarks which demonstrate young people are ready for adulthood
- Work with schools & youth organisations to build on Careers Education, Information, Advice and Guidance (CEIAG) and the Skills 4 Life offer.
- Coordinate a coherent and comprehensive post 16 offer and implement a Not in Education Employment or Training (NEET) reduction plan, to capitalise on

new opportunities in the City and reduce the proportion of Manchester children who are NEET. ● Improve literacy and educational attainment through the provision of activities in libraries and galleries and cultural activities, for example, through supporting the Read Manchester campaign. All of the activities outlined will be enabled by corporate and supporting functions including repair and maintenance services to our 55 Sure Start and Children's centres and our 94 school kitchens, dedicated programme and project support, provision of intelligence, evaluation and performance information and the delivery of a new Early Years & Education ICT system. We will continue to work with Government to identify additional funding when available to support delivery of these priorities.
Key measures of success
Primary schools rated good or outstanding
Secondary schools rated good or outstanding
Percentage of Manchester's children achieving expected standard in Reading, Writing and Maths at Key Stage 2
Percentage of Manchester's children achieving grade 5 or above in both English and Maths at Key Stage 4
Percentage of Manchester's Looked After Children achieving grade 5 or above in both English and Maths at Key Stage 4
The percentage of Manchester's children achieving a good level of development in the Early Years Foundation Stage
Number of Looked After Children in Manchester and the rate per 10,000 children
Number of Children In Need in Manchester and the rate per 10,000 children

Healthy, Cared For People

Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives: ● Support Mancunians to be healthy, well and safe ● Improve health and reduce demand by integrating neighbourhood teams, that are connected to other services and assets locally, delivering new models of care ● Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless
The original Locality Plan: Our Healthier Manchester, produced in 2016, set out the

ambition to improve health and care outcomes for the people of Manchester within a financially sustainable health and social care system.

Underpinning the Locality Plan was our aim to prevent people becoming ill and support them to live healthier lives through. To enable this and other priorities the initial focus led to a rationalisation of the Manchester system, through the creation of a single commissioning function (SCF), a single hospital service (SHS), and a local care organisation (LCO). Greater Manchester Mental Health (GMMH) Trust replaced the previous provider as the lead for delivering mental health services in Manchester.

The updated Locality Plan (April 2018), set within the context of the city's Our Manchester strategy, shifted the emphasis away from structural change to a focus on Our People, Our Services and Our Outcomes. The Locality Plan is now being refreshed again (November 2019), to reflect the place-based approach to public services across Greater Manchester (Bringing Services Together for People in Places in Manchester) and the requirements of the NHS Long Term Plan.

Recent system-wide achievements set out in the Locality Plan include:
- An increase in new cases of cancer diagnosed at stage 1 or 2.
- A sustained decrease in smoking prevalence.
- An upward trend in CQC good or above rated Nursing and Care Homes.
- An increase in uptake of Personal Health Budgets.
- A sustained reduction in avoidable prescribing.

Our work to ensure our people are healthy and cared for is primarily delivered through two health and social care partnership organisations - Manchester Health and Care Commissioning (MHCC) and Manchester Local Care Organisation (MLCO) and as such, this plan provides less detail on this priority.

Further detail on the achievements to date, priorities for 2020/2021 and how impact will be measured is described in MLCO's operating plan for 2020/21, which is currently being developed across partners in the Manchester system.

The MHCC Operating plan, outlines the strategic context and commissioning priorities for health and social care for 2020/21.

Our key priority for 2020/2021 is to support MLCO and MHCC to deliver on the agreed priorities and success measures, as detailed within the respective operational plans.

In terms of service delivery, our population health services form part of MHCC, whilst the delivery and commissioning of adult social care services and some elements of population health are managed by Manchester Local Care Organisation. Our population health services across the system work to build our understanding of what is most effective in improving population health outcomes in order to help us to focus on what will achieve the most significant improvement to outcomes. Our Adult Social Care services continue to focus on delivery of the Improvement Programme driving improved outcomes for those who need our support, longer term change and sustainability.

A key delivery model for the LCO is the mobilisation of 12 Integrated Neighbourhood Teams. Our adult social care services play a key role in integrated neighbourhood teams and are part of the delivery of new models of care and our wider approach to place-based reform in Manchester - Bringing Services Together for People in Places.

A number of other council services make key contributions to ensure that Mancunians are healthy and well including our leisure service, libraries and cultural offer.

Our adult social care services work closely with Children's Services to ensure young people with support needs 'transitioning' into adulthood are supported to do so.

Recent achievements within MLCO and the wider health and social care system include:
- 12 Integrated Neighbourhood Teams established with leadership 'quintets' in place
- Primary care leadership in place at locality and neighbourhood level and 14
- Primary Care Networks across the city
- Major recruitment campaign delivered with 61.5 additional social workers in place as of November 2019
- Development of new strengths based approach to assessment and support planning, delivering improved outcomes and a more streamlined process
- Delivery of phase 1 of technology-enabled care programme transferring c.150 citizens from legacy provider
- Some reductions in social care waiting lists including (between May and July 2019) a reduction of 43% in ongoing work waiting and 8% in reviews
- A statistically significant reduction in A&E attendances from the cohort covered by Manchester Care Management (High Impact Primary Care)
- The expanded Reablement service has achieved 26% fewer homecare visits and 22% fewer homecare hours than people who had been referred to Reablement but not supported; and
- Extra Care accommodation has enabled improved quality of care for residents and approximately 1,200 fewer days of residential care
- Investment in North Manchester Hospital from Government

Homelessness is not just about people who sleep rough on our streets, but also consists of the much larger number of single people in hostel accommodation, families in dispersed temporary accommodation, as well as those who are hidden homeless. Across Manchester an increasing number of individuals and families are becoming homeless and are at greater risk of homelessness. The Homelessness Strategy aims to make:
1. Homelessness a rare occurrence: increasing prevention and early intervention
2. Homelessness as brief as possible: improving temporary and supported accommodation so it becomes a positive experience
3. Experience of homelessness a one-off occurrence: increasing access to

settled homes Organisations across the city all have a contribution to make and a role to play towards these aims in order to reduce homelessness. Our Homelessness services leads on the objective of reducing the number of people becoming homeless, and better outcomes for those who are homeless. The objective is also delivered by a range of services across the council including Housing, Health, Children's Services and Adults Services within MLCO. Homelessness services achievements in the last year include: ● Successfully ensured that the Council met all it's legal duties in challenging circumstances. ● Developed a specialist service to tackle evictions from the private rented sector which successfully prevented homelessness. ● Delivered a comprehensive response to rough sleeping through the provision of over 45,000 bed-nights for people who sleep rough in the city. ● Increased the level of access to affordable property in the private rented sector.
Activities supporting delivery of this priority
As described, our key priority for 2020/2021 is to support MLCO and MHCC to deliver on the agreed priorities and success measures, as detailed within the respective Operational plans. In 2019/20 the Homelessness Service will ● Provide high quality services in all that we do through delivery of the Homelesness Service Transformation Programme, forming the core of the approach to tackling and reducing homelessness over the next three years ● Reduce the use of temporary accommodation, including through the continuation of a new team focused on Section 21 presentations (no fault evictions), providing support to prevent or delay the use of temporary accommodation ● Reduce the cost of temporary accommodation including through enhanced incentives for private landlords and aiming to move people directly from their current property into dispersed accommodation, avoiding the use of bed and breakfast accommodation ● Increase the level of homelessness prevention, and locality based prevention in communities, through a multi-agency response and development of a city-wide 'Prevention Compact', informed by two locality based prevention pilots in Moss Side and Clayton & Openshaw ● Reduce the numbers of people who sleep rough through providing targeted support ● Increase the profile of homelessness prevention and broaden the range of partners who help us to achieve this. ● Play a positive role in the Manchester Homelessness Partnership, to build the partnership and maximise contributions from all sectors, including in the co-production of services.

● Ensure that the Council meets all of its legal duties to homeless people and people at risk of homelessness. These activities will be supported by the development of temporary and permanent housing solutions and the development of a new commissioning strategy for homelessness services.
Key measures of success
The Manchester health and care system oversees delivery of the integration of health and social care through the Transformation Accountability Board, which is chaired by the leader of Manchester City Council. As a result of the refresh of the locality plan, the Board is currently reviewing and developing a set of performance indicators for the Manchester system which includes both population health and adult social care measures. These may include:
Permanent admissions to residential and nursing care (annual; actual number)
Total homecare hours (annual)
Emergency admissions - actual and rate per 1,000
Average daily DTOC per 100,000 of the 18+ population
Smoking prevalence in adults (18+) - current smokers
Mortality rate from causes considered preventable (all causes)
Annual review waiting list as % of people receiving long-term services (ASC)
% reporting that the service helped them feel safe and secure (ASC)
Number of carers receiving carers specific services (actual number and per 10,000 population)
In addition to this, MLCO is currently in the process of refreshing its Board Assurance Framework, which sets out its key performance indicators in regards to the delivery of its Operational Plan 2020/21.
Homelessness key measures of success:
The number of households who presented as being homeless or being threatened with homelessness and were owed a duty. **N.B.** The introduction of the Homelessness Reduction Act 2018 means that 2017/18 and 2018/19 results are not comparable.
The number of households, (who had presented as being homeless or being threatened with homelessness), who were being supported as a 'prevention case' and were subsequently prevented from becoming homeless via being able to stay in their existing property or securing alternative accommodation (and staying in this accommodation for 6+months)

Number of households who moved on into settled accommodation provided by Registered Housing Providers.
Number of households who moved on into settled accommodation provided by the Private Rented Sector

Housing

Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes:

- Accelerate and sustain the delivery of more housing
- Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes

The Residential Growth Strategy (2015–2025) sets out the city's approach to providing the right housing mix of safe, secure and affordable homes for a growing and increasingly diverse population.

The Strategy was updated in 2019 increasing the overall target of new homes from 25,000 to 32,000 and committing the city to deliver 20% of all new homes as affordable tenures, representing a minimum of 6,400 new homes by March 2025 (up from 5,000).

Multiple services and directorates work together to deliver this priority. The services with a lead role include Strategic Housing and Residential Growth, City Centre Growth & Regeneration, Development Team, Planning, Building Control and Licensing. Corporate services such as City Policy and PRI provide strategic and analytical support to help deliver the objectives.

It is forecast that c.5,200 new homes will be delivered in Manchester by the end of 2019/20 of which 521 will be affordable homes and 36 Extra Care units. This year there have been more cranes across the skyline than ever recorded, including the previous pre-recession construction peak in August 2005. There are currently over 11,000 new homes under construction in Manchester, including 9,000 in the city centre, more than in any other Core City or individual London borough. A total of 14,000 new homes are forecast to be completed by March 2022. Other achievements in the last year include:

- Delivered 53 new Council homes in Brunswick
- Delivered 61 new homes for sale in the Miles Platting and Brunswick PFI contracts
- Commenced the final phase of 330 new homes for sale in West Gorton
- Delivered 1,500 new homes for rent and sale in New Islington and Ancoats via the Manchester Life JV Partnership
- Delivered 70 apartments for people with a Learning Disability
- Acquired 20 large homes for homeless families
- Begun sprinkler installation in 25 Council tower blocks

- Completed the review of the Allocations Scheme, which is used to assess the eligibility and priority of applicants for the social housing the Council has available
- Created and approved a number of strategic regeneration frameworks to guide a comprehensive and holistic approach towards regeneration across the extended city centre. Examples include Northern Gateway, Great Ducie Street and Knott Mill.

Activities supporting delivery of this priority

- Deliver a minimum of 6,400 affordable homes between 2015 - 2025 including 7 new Extra Care and 3 Community-Led Housing schemes by:
  - Working closely with Registered Providers to deliver housing on Council-owned land, and
  - Working with developers to deliver housing on privately-owned land
- Provide the conditions that enable the building of 32,000 new homes in Manchester between 2015 and 2025
- Deliver a range of major projects that include:
  - Northern Gateway - A joint venture between the Council and Far East Consortium which has the potential to contribute up to 15,000 new homes over a 15 to 20-year period.
  - Eastern Gateway - Identify and start work on new phases of the Manchester Life Joint Venture Partnership, and identify opportunities for the delivery of new homes in ongoing regeneration around the Etihad Campus
  - Great Jackson Street – Work has rapidly progressed on the delivery of significant new residential development at Great Jackson Street, contributing up to 6,000 new homes. Construction is nearing completion on the four residential developments that comprise Deansgate Square
- Develop the new Local Plan for Manchester, setting out how the city will meet the need for development over the years to 2038
- Deliver a quality, efficient, inclusive and proactive Planning service, acting as enablers for new homes, creation of neighbourhoods where people want to live and engaging meaningfully with all stakeholders
- Create a refreshed City Centre Strategic Plan. This will set out the current position of the city centre and the plans and aspirations over the next period. The document will provide Local and Central Government colleagues with this shared insight.
- Ensure fire safety improvements are delivered especially in high rise buildings in line with the Hackett Review of Building Regulations and Fire Safety, of which Manchester is an early adopter
- Continue to work collaboratively with neighbourhood teams to develop and deliver new areas for Selective Licensing across the city.
- Provide specialist property advice to colleagues and politicians in respect of all development opportunities. Taking a lead role in the delivery of transformational regeneration projects across the City.
- Identify long term empty homes and work with owners and developers to bring them back into use
- Utilise the GM Housing Fund for development finance to help unlock mainstream institutional finance to fund new homes in Manchester.

All of the activities outlined above will be supported by the Policy and Performance, Research Intelligence teams through delivery of appropriate and up to date planning policy and strategic frameworks including the new Manchester Local Plan and production of credible and relevant intelligence that supports decision making, evidences change and supports the development of key strategic documents
Key measures of success
The number of new homes built in Manchester
Affordable homes delivered according to government definition
Percentage of properties empty for 6 months or longer

Neighbourhoods

Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of: ● Enable clean, safe, vibrant neighbourhoods
Multiple services and directorates work together to deliver the Neighbourhoods corporate plan priority. The three Neighbourhood Teams (North, Central, and South) manage and develop the city's neighbourhoods and work with services delivered locally to respond to the needs of different places and play a significant role in the delivery of Bringing Services Together for People in Places. A number of citywide teams take a lead role in delivering specific elements of the neighbourhoods priority. Together, Waste, Recycling and Street Cleansing, Compliance and Enforcement and Community Safety play a significant role in ensuring our neighbourhoods are clean and safe. Libraries, Galleries and Culture, Markets, Parks, Leisure, Youth and Events work together to make sure our neighbourhoods are vibrant places where people want to live, work and visit. Some of the recent achievements include; ● Increased the number of library visits by over 270,000 from 2017/18 to reach 3.2million in 2018/19, and increasing the number of visits to Manchester Art Gallery over the same period by over 20% to reach 731,003 in 2018/19. ● Voted as within the top 3 Christmas Markets in Europe in 2019 and consistently being voted in the top ten. ● Partnered with 37 organisations to facilitate or deliver a programme of 60 calendar events that attracted over 1.3 million people over 168 days of live events, raising the profile of the city on the regional, national and international

stage.

- Ensured 1,491 littering prosecutions and 241 prosecutions for waste offences
- Made 3,130 visits to inspect food businesses and seizing 8,555 unsafe items from other trade premises.
- Attracted over 7,000 volunteers to support more than 200 events during the Great British Spring Clean campaign in 2019 - the city's best performance yet.
- Improved the cleanliness of the city's streets from 2018 levels and having cleaner streets than the national average according to an independent survey in 2019.

Strategic Communications, Reform and Innovation, Performance, Research and Intelligence (PRI), Legal Services, Corporate Estates and Facilities Management all play an enabling role in delivering this priority.

Activities supporting delivery of this priority

Ensure our neighbourhoods are vibrant places where people want to live, work and visit

- Deliver the city's cultural strategy agenda. This will be supported through the effective management of the Council's strategic cultural investments and grants, the development of partnerships in the city and internationally (including with Denmark, China and Music Cities) and the delivery of the Cultural Impact Survey.
- Develop and maintain a strong cultural offer at a neighbourhood level through the city's libraries, galleries and cultural attractions. This will be supported through working with our local communities and partners (such as artists, Cultural Leaders Group, Arts Council England and Manchester International Festival) to widen access to and participation at libraries, galleries and cultural attractions.
- Continue to develop Manchester's libraries so that they offer creative spaces and, as a UNESCO City of Literature, promote literacy and reading for pleasure through the Read Manchester programme and a range of cultural events and community writing projects.
- Commission and deliver a comprehensive programme of activities and volunteering opportunities to engage all residents and target under-representation. This will include improving the offer for young people and enhancing holiday activities available to them, launching accessible physical activity sessions as part of the Local Delivery Pilot and running initiatives targeted at women and girls to promote their use of and their volunteering at parks and leisure facilities.
- Implement the Events Strategy, establish the Events Commission and deliver a vibrant events programme including civic and community events which promote citizenship, participation and feedback across the city's diverse communities. This will be achieved through working together with stakeholders such as Marketing Manchester, Manchester Business Improvement District and various accommodation providers.
- Manage our parks and leisure facilities to ensure they are great places to visit, get active and enjoy.
- Deliver a range of enhancements and new public realm schemes such as the

- Medieval Quarter, Lincoln Square and Piccadilly Gardens.
- Manage, revitalise and maintain the Council's heritage estate and provide specialist advice on key heritage projects (e.g. Our Town Hall, Crossley House, Varna Street and Victoria Baths).
- Take a lead role in transforming and regenerating local district and town centres (such as Harpurhey, Newton Heath and Wythenshawe).
- Provide diverse, accessible, exciting and contemporary markets in order to enhance the experience in the City Centre and across new sites.
- Engage with residents and local businesses to increase their participation in neighbourhoods, build their resilience, celebrate their strengths and reduce demand on key services.
- Work with key stakeholders from a neighbourhood perspective to ensure that city wide service development and delivery plans take account of local needs and emerging priorities.

Ensure our neighbourhoods are clean and safe

- Make Manchester the country's first 'Tidy City' by 2020 through the council's partnership with the Keep Britain Tidy charity.
- Deliver the fly-tipping intervention project to reduce fly-tipping of both domestic and commercial waste and invest in 'target hardening' solutions for fly-tipping hotspots.
- Ensure effective waste collection, increased recycling and street cleansing through our contract with Biffa and the Greater Manchester disposal contract with Suez.
- Increase compliance of food businesses with regulations and implement the food safety intervention programme.
- Reduce the supply of unsafe consumer products, illicit tobacco and the sale of age restricted products to those under age.
- Support outreach teams in the City Centre and Neighbourhoods to address rough sleeping and begging.
- Use appropriate tools and powers to reduce crime and antisocial behaviour (ASB).
- Work with partners and voluntary and community sector organisations to strengthen community cohesion and challenge hate, prejudice and extremism across the city's diverse communities.
- Tackle Domestic Violence and Abuse through initiatives such as Cut It Out campaign and a pilot approach to address child/adolescent to parent violence.

All of the activities outlined support the delivery of integrated services in neighbourhoods, Bringing Services Together for People in Places, and will be enabled by corporate and supporting functions including the provision of specialist property advice, dedicated policy and project support and provision of intelligence, evaluation and performance information.

Key measures of success
Number of antisocial behaviour incidents and rate per 1,000 people
Number of flytipping incidents and rate per 1,000 people

% of residents attending a cultural event N.B. This will be used for performance monitoring pending confirmation that the Sport England-led Active Lives Survey will continue to include the question which informs this metric.
% of residents using a public library service N.B. This will be used for performance monitoring pending confirmation that the Sport England-led Active Lives Survey will continue to include the question which informs this metric.
Percentage of household waste recycled
Piccadilly/Oxford Rd NO^2 annual hourly mean concentration (µg/m^3)
Total number of visits to Manchester's libraries, galleries and sports and leisure facilities

Connections

Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks:

- Improve public transport and highways, and make them more sustainable
- Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy

For a city to be successful it needs to be well connected – internationally, nationally and locally. Residents and businesses have helped develop a number of relevant strategies including the Greater Manchester 2040 Transport Strategy, which was adopted in 2017, and a refreshed City Centre Transport Strategy will be published in 2020. We have also been working with our partners to support the city's digital aspirations and ensure that Manchester has the digital infrastructure and digital skills to access global opportunities

Together, Highways, Operational Services (Highways Maintenance, Grounds Maintenance and Fleet), City Policy, City Centre Growth and Regeneration, the Development Team and Parking Services, play a significant role in **connecting the city through good quality roads and sustainable transport systems.** Recent achievements include:

- National Transport Award for 'Excellence in Cycling and Walking' in recognition of the Oxford Road Scheme, and scored highly on the 2019 National Highways and Transport Network (NHT) Public Satisfaction Survey.
- Repaired over 15,000 recorded highway defects in 2018/19.

In addition to transport connections, there is also a pressing need to increase broadband coverage in Manchester at a faster pace to secure the city's status as a leading digital centre.

Together, ICT, City Policy, Libraries, Galleries and Culture, Corporate Estates, Customer Service Organisation and Strategic Communications play a significant role in **connecting the city, transforming public services and growing the city's digital economy via digital infrastructure.** Recent achievements include: ● Increased the availability and take up of superfast broadband (>30Mbits/s) to residential and SME premises throughout the city in 2018: ○ Residential from 88% in 2015 to 95%. ○ SME from 34% in 2015 to 52%. ● Increased the percentage of financial and non financial transactions which were made via the council's website from 45% in 2017/18 to 50% in 2018/19, supporting our users to shift channels to digital services. ● Utilised Department for Digital, Culture, Media & Sport (DCMS) grant funding to launch the first phase of Manchester Tech Hub, providing flexible work space for Technology and Digital start-ups. ● Supported the transformation of public service delivery through the implementation of digital initiatives and solutions. Examples of these include Tell Us Once, Liquidlogic - the social care case management, charging and payment software and a data sharing pilot with HMRC which was successful in improving Council Tax Collection.
Activities supporting delivery of this priority
Connecting the city through good quality roads and sustainable transport systems ● Deliver year four of the agreed 2017-2022 Highways Network Investment Programme (including a small patching programme and drainage works). ● Implement projects and schemes to improve the highways network's journey time reliability, accessibility, connectivity and user satisfaction. ● Continue to create, design and deliver sustainable and active transport through increased cycling and walking routes. ● Deliver the planned airport improvement works. ● Coordinate Manchester's and Greater Manchester's input into HS2 & Northern Powerhouse Rail scheme development. ● Undertake strategic land acquisitions and lead regeneration projects to connect the city, facilitate growth and housing delivery. ● Effectively enforce parking and bus lane restrictions to keep the city's roads moving and safe. ● Lead the city's work on the Clean Air Plan, City Centre Transport Plan and the promotion of cycling and walking. ● Ensure all fleet vehicles meet the required emissions standards in preparation of the introduction of the Greater Manchester Clean Air Zone. **Connecting the city, transforming public services and growing the city's digital economy via digital infrastructure** ● Develop and deliver effective online systems which enhance the customer experience and support channel shift towards digital services. ● Deliver the Resident and Business Digital Experience Programme which aims to make the Council a leading digital public services organisation that provides our residents, businesses, members and partners an easy to use, fully integrated set of digital public services which reduce our internal demand costs

and increase customer satisfaction. • Implement text messaging for debt recovery and other digital initiatives such as the implementation of new social care computer systems. • Implement the government's 'Making Tax Digital' requirements working with ICT and other services to ensure systems are compatible. • Develop consistently engaging digital content to ensure the council is a trusted and influential service provider at the heart of existing local community networks. • Produce a new three-year communications strategy which will continue to embed the use of digital communications to reach people at the right time in the way that works best for them to support an ongoing increase in participation and engagement. • Invest in technology to support targeted digital delivery such as Granicus - software which supports the creation of engaging digital communication campaigns. • Introduce the MCRactive digital platform to provide robust and effective data analysis and to measure impact. • Complete the Arbeta redevelopment at One Central Park to deliver employment opportunities in the digital and creative content sector. • Deliver Smart Cities projects and develop a Digital framework for the city. • Improve digital access, inclusion, participation and literacy through work led by Libraries, Galleries and Culture.
Activities supporting delivery of this priority
Road network beyond mid-life grading (A, B, C, U roads - excluding footways)
Number of people killed or seriously injured on Manchester's roads (and rate per 1,000,000 population)
Number of cyclists killed or seriously injured on Manchester's roads (and per 1,000,000 population)
Percentage of journeys into Manchester city centre by bicycle
Percentage of residents with access to high-speed broadband >30Mbits/s

Growth that Benefits Everyone

Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in Developing a More Inclusive Economy - Our Manchester Industrial Strategy: • Support good-quality job creation for residents, and effective pathways into those jobs • Facilitate economic growth of the city
Connecting all Manchester residents to the opportunities of economic growth in the

city is a core aim of the Our Manchester Strategy 2016 -2025.

Manchester's overall success and resilience during the past decade has been underpinned by the strength of its economy. A thriving economy is essential for the creation of jobs, attracting further investment, and driving population and residential growth. The city centre is the economic growth engine for both the city and wider region. With a £6billion economy, the city centre employs more than 140,000 people, predicted to rise to more than 150,000 over the next decade. This figure accounts for 40% of employment within the city and 10% of Greater Manchester's total employment (Greater Manchester Forecasting Model 2018). Total employment in Manchester has continued to increase, with our fastest growing sectors including business, financial and professional services, and cultural, creative and digital. Manchester continues to be a major international city, with Manchester Airport acting as the gateway into the North of the UK; we recently became the most popular inbound tourist destination in the UK outside of the capital.

However, despite economic growth, Manchester has the highest concentration of highly deprived neighbourhoods in the city region. Poor health outcomes, poor skills levels, and a significant gap between resident and workplace wages present a significant challenge to achieving more inclusive growth.

The next step of Manchester's economic journey is to ensure that the economy is as inclusive as possible, connecting the city's residents to high quality opportunities. **Developing a More Inclusive Economy - Our Manchester Industrial Strategy** was published in autumn 2019 and sets out how this objective will be achieved. In addition, the **Adult Education & Skills Plan** aims to develop 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 employers require.

The city's Zero Carbon ambition will be a driver of economic growth and will facilitate job creation, recognising that good growth is green growth.

This priority is delivered by services across the Council but certain services, particularly those within the Growth and Development directorate, take a lead role.

Achievements in the last year include:

- Creation and approval of a number of strategic regeneration and development frameworks to guide a comprehensive and holistic approach towards regeneration across the city centre.
- Construction start on site of The Factory, a nationally unique, flexible arts and performance facility which will strengthen our creative industries.
- The percentage of the working age population skilled to level 4 and above has increased to 44.1%, up from 39.9% in 2017
- A lower proportion of Manchester residents were out of work and claiming a health-related out of work benefit (Employment and Support Allowance) in February 2019 (6.7%) than in February 2018 (7.7%). The actual number of such claimants dropped from 29,529 to 25,994 over the same period.
- A lower proportion of Manchester's working age population were estimated to

have no formal qualifications in 2018 (10.5%) than in 2017 (11.1%) and 2004 (25%). The estimated number of such residents dropped from 73,200 in 2004 to 42,500 in 2017 and 40,300 in 2018.

- 400,000 people in employment (2018), up from 395,000 in 2017
- The Oxford Road Corridor Enterprise Zone has continued to attract new occupants to the cohesive cluster of science and technology businesses, academics, clinicians and world leading health institutions. The Works in its new location in Ardwick supports local residents access jobs in the universities and with the construction companies working on site
- Manchester remains the largest office market of any city outside London, with headline prime rents of £35 per square foot reflecting high demand
- Raised the profile of social value significantly within the Council and externally with our partners and commissioned providers / businesses to drive a more inclusive economy through supply chains

Activities supporting delivery of this priority

- Support effective pathways into jobs for Manchester residents through a range of actions including:
    - Engaging employers in the provision of post-16 /adult education to support their current and future needs and reduce the number of NEET (not in education, employment or training) young people
    - Making learning more accessible for adults in low skilled, low paid jobs and provide career progression
    - Working with employers to promote the Living Wage and the GM Good Employment Charter
    - Co-designing courses and providing work experience opportunities to develop job readiness in our growth sectors for young people & adults
    - Work with anchor institutions to maximise employment & supply chain opportunities for families living in poverty
- Work closely with public and private sector partners to identify opportunities to stimulate regeneration initiatives across the city to drive our inclusive economic, social and environmental ambitions. This includes:
    - Driving delivery of commercial development, particularly office and employment accommodation, to support inclusive growth across the city.
    - Identifying development opportunities to promote growth across the city, in particular around the Etihad Campus and through Joint Venture partnerships at Mayfield and St. Johns
    - Development of industrial and commercial space for both existing companies who may need to relocate from city centre fringe and for organisations who need to expand or want to move into the area.
- Deliver a range of major projects that position Manchester as a leading international city. Some of these transformational initiatives include:
    - The Factory - a new arts and cultural centre of international importance, it is set to add £1.1billion to the city’s economy and create 1,500 jobs. It will be located in the city’s emerging St John’s neighbourhood and be the new permanent home of Manchester International Festival (MIF)
    - Piccadilly - a five year programme to develop a major new district for Manchester with a world class transport hub at its heart through the arrival of High Speed 2 and Northern Powerhouse Rail

○ Circle Square - development of a commercially led mixed-use neighbourhood that will house some 2,000 new city centre jobs. ● Deliver a quality, efficient, inclusive and proactive Planning service, acting as enablers for growth and providing a platform for investment in the city to support growth ● Support the creation of new jobs in the city by attracting new employers and inward investment, alongside increasing residents' access to the jobs created; specific focus on our growth sectors and future strengths, including the green economy ● Deliver a vibrant events programme which promotes Manchester as a world class city, as well as a fair and equitable city, where everyone can contribute and share in the success. ● Promote the city on a national and international stage to help attract investment and funding (e.g. Cultural Grants and European Projects) ● Develop, promote and embed corporate priorities in relation to commissioning and procurement, including social value, ethical procurement, and living wage. In particular, in the supply chain of the following services: ○ Operational Services ○ Parks, Leisure, Youth and Events ○ Highways ● Ensure highways infrastructure delivers the Council's Transport 2040 vision and the growth aspirations of the city. ● Increase reading, digital access and literacy through the city's libraries ● Employ Manchester residents for our entry level jobs in School Catering ● Provide Market facilities to support the retail and social economy across the city ● Administer Business Rate reliefs to support businesses and reduce evasion. All of the activities outlined will be enabled by corporate and supporting functions including City Policy support to the implementation of the Our Manchester Industrial Strategy, production of relevant and responsive intelligence, evaluation and performance information through PRI and wider work across Performance, Policy and Reform on developing social and economic metrics to measuring the inclusivity of Manchester's economy.
Key measures of success
Percentage of 50-64 year olds claiming an out of work benefit
Apprenticeship achievements and rate per 1,000 16-64 year olds
Percentage of the Council's procurement spend with local suppliers
Floorspace of office development granted planning permission (square metres, Class B1)
Office take-up ('000s of square feet)
Enrolment on foundation courses including Literacy/Numeracy/ESOL
Businesses assisted to improve (min. 12 hours support provided)

Well-Managed Council

Support our people to be the best and make the most of our resources:
- Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
- Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in demand through reform, and generating income

Our Transformation is a new Council-wide portfolio of programmes which has been set up to look at our existing business processes and organisational approach with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a 'well managed council'. This aligned with the **Our People Strategy** and **ICT Strategy** sets out a compelling vision for a future workforce and workplace where systems, processes and cultures are fully aligned with Our Manchester behaviours and where people have the skills, opportunity and support to perform at their best.

Although this is a priority for the whole organisation, the Corporate Core has a key leadership and direct delivery role in delivering the well-managed council priority through diverse services.

Achievements in the last year include:
- Set a balanced budget for 2019/20 and won the national CIPFA award for Achievement in Financial Reporting and Accountability
- Answered 729,818 calls and handled 110,307 email, web, social media and written contacts. 99.2% of callers surveyed were either satisfied or very satisfied with the level of service received.
- Successfully delivered Local Elections, European Parliamentary Election at short notice and a General Election.
- Delivered new social care case management and payment/charging systems across adults and children's services
- Dealt with more than 60,000 live benefit claims across housing benefit and council tax support and collected
    - £181.1m in Council Tax
    - £373.5m in Business rates
    - £19m adult social care charges
    - £3.6m housing benefit overpayments
    - £633m miscellaneous income
- Delivered the Our Manchester Grants Programme
- Over 3,000 staff attended the Our Manchester Experience
- Developed an Employee Health and Wellbeing strategy recognised as best-practice in the field, including a comprehensive offer around mental health
- 431 apprenticed started across the last two and a half years and the graduate scheme was relaunched

Activities supporting delivery of this priority

• Continue to deliver Our Transformation through strengthening accountability and the role of our managers, improving our ways of working including the introduction of key new ICT infrastructure, improving our processes and developing a longer term model for the core, leading to efficiencies
• Continue to deliver the strategic vision for the city by collaborating with internal and external partners to: create new strategies and policies; attract funding and resources; implement complex projects and programmes; and create effective strategic partnerships.
• Drive service reform across the Council and with partners and residents
• Provide financial support, insight and intelligence to maximise budgets and deliver on the Council's priorities
• Promote information as an asset working with stakeholders to recognise the importance of data and intelligence in decision making and development of service provision.
• Drive the Our People Delivery Plan, in particular work to:
  ○ Reduce sickness absence levels
  ○ Develop a more diverse workforce, at all levels, particularly in relation to BAME and Disability representation
  ○ Support health and social care workforce integration and the Manchester Locality Workforce Plan
  ○ Create a strengthened approach to development, talent management and succession planning
• Support and enhance the reputation of the Council, through effective strategic communications, professional executive support for the Chief Executive and Senior Management Team and successful civic and ceremonial events and programmes.
• Provide stable, scalable, secure and resilient ICT services, including migration to the new data centre
• Deliver innovation and excellence in public sector legal services that provides value for money
• Provide a first class procurement service to the council and its partners, from supporting services in the upfront design to delivering successful contract awards.
• Deliver key Corporate Estates projects and programmes including the refurbishment at Alex House, the refurbishment of Hammerstone Road, the Gorton Hub, the Asset Management Programme and support the Town Hall Project 19/20
• Deliver all statutory services related to the registration of births, deaths and marriages and Coroner Services, and to meet the required statutory and non statutory targets.
• Deliver effective and efficient customer services and develop effective online systems which enhance the customer experience and support channel shift towards digital services
• Maximise the collection of money owed to the Council and manage the expected reduction in new claims and caseload driven by Universal Credit

Key measures of success
Best Companies Index Score (B-Heard Staff Survey)

Average days lost due to sickness absence per employee (i.e per Full Time Equivalent) (12 month rolling total)
Financial year to date agency spend (£'000)
The number of staff who were provided with an OM Experience in the year
Year end % budget overspend / underspend
Percentage of the council's targeted savings in the year which were realised
Percentage of annual due Council Tax collected
Percentage of annual due Business Rates collected
% of stage 1 and 2 corporate complaints responded to within 10 working days

How we will deliver the plan

Our People

Our Council Business Plan for 2020-21 is ambitious. We will only deliver on our ambition with the right resources in place - the most important of which are our people.

Our People Strategy is being refreshed for 2020-21. More immediately, in order to deliver the practical actions described in this plan there are a number of priorities for delivery to support our workforce:

- Improve the health and well being of our staff including a reduction in absence levels across the organisation. Currently the average employee loses c.13 days per year which is well above the national average and the highest levels within Greater Manchester. Through a continued focus on health and well being, especially mental health and more targeted work with our workforce linked to the strategy for our residents.

- Reduce reliance on temporary staff including overall reduction in agency spend, including recruitment campaigns across some areas of over reliance including Highways, Legal and Adult Social Care.

- Refresh and relaunch of our management and leadership development to develop our managers in the context of Our Manchester and Our Transformation whilst ensuring we get the basics right in terms of training and development with a particular focus on people and financial management

- Reaffirm our commitment to ensure our workforce reflects our communities with a particular focus on the development of our BAME staff and staff with disabilities ensuring they have access to development opportunities

- Continue our commitment to staff engagement, building effective plans against our most recent Staff Survey (‘BHeard’) but continuing our programme of listening in action and Directorate based engagement. Through the work of Our Transformation there will be greater engagement with a range of staff from across the organisation to ensure our systems, processes and decision making are clear and to make both staff and managers more efficient in their roles.

- Commitment to develop the digital skills of our staff to ensure they are able to access and benefit from the full range of support, rewards and benefits of being an employee of MCC but also in their everyday lives. The ambition for our workforce will mirror that for our residents.

Our Technology

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 both a Council and GM perspective. ICT investment is critical to enabling the delivery of the Directorate's priorities and budget strategies as it acts as a key enabler to service transformation, efficiencies and operational delivery. It is important that ICT investment is aligned to the Directorate, ICT and wider City strategies and focuses on where it can provide the most value.

During 2019/20 ICT investment and progress has been made across the portfolio and examples are provided below where the initiatives have been a mixture of systems to underpin transformational agendas, the implementation of fit for purpose systems or to establish compliance in line with the ICT strategy.

- A new Coroners system has been implemented.
- The Treasury Management solution was migrated to the Cloud
- All laptops and desktops were upgraded to windows 10
- Migration of virtual server environment to new, up to date resilient hardware
- Various critical application upgrades e.g. SAP Netweaver, Academy
- Implementation of the new Children’s and Adult Social Care case management system; and a new Social Care payments system
- Completed district Libraries technology refresh
- Implementation of the new Rent Accounting System.

During 2020/21 ICT will continue to work closely with Directorates in order to identify solutions that comply with the information and ICT design principles and to help to develop robust business cases to support their development, including:

- Embarking on the Resident and Business Digital Experience Transformation programme to improve the Council’s current digital services and transactions placing our resident/business journey at the heart of this transformation by designing an integrated set of digital public services which are supported by an organisation that can deliver a consistently positive experience.
- The deployment of new functionality within the Liquidlogic Social Care system, which will better enable the council to do business both with providers and partners.
- Continue to support the deployment of the Manchester Care Record (CareCentric provided by Graphnet) across Adults service; as well as looking at how this might support children’s services in the future.
- Implementation of the Liquidlogic Early Years and Education System (EYES), which will provide an integrated EYES and Social Care system.
- Continue to support the Technology Enabled Care (TEC) programme; with ICT focusing on the design of a digital platform which will aggregate data from TEC devices, providing both proactive and reactive alerts, which will support Manchester residents to live independently
- Continue and complete the new Information Governance and Complaints platform to manage complaints and information governance requests in line with the new GDPR regulation.
- Complete the migration of all ICT services out of the current data centre to a new secure and resilient data centre
- Procuring, planning and designing a new, resilient, flexible and cost effective local and wide area network and introduce a consistent and reliable wireless infrastructure.
- Implement a new up to date, reliable telephony solution with contact centre capability

- Reviewing SAP and assessing the way forward
- Delivering the Microsoft 365 platform aimed at transforming the way the organisation works, including the rollout of new devices.
- Procure, design, deliver and test a replacement to the FLARE neighbourhoods enforcement application. The biggest application in Neighbourhoods this project will enable improved service delivery, more agile and mobile workforce and increased application resilience.
- Review of FM from an ICT perspective with a view to developing a stable and supported platforms for CCTV, access control and Building Management Systems.

Equality, Diversity and Inclusion

We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

Based on our evidence and engagement, we will publish and promote a refreshed set of equality objectives for the Council, that reflect our stakeholders' voices. We will communicate these to our residents and workforce to give assurance and clarity about the Council's key areas of focus on equality, diversity and inclusion (EDI) in the coming years.

We will strengthen the methodology and governance around our approach to undertaking Equality Impact Assessments (EIAs), ensuring that all Council functions are engaging with, and assessing the impact of their services for Manchester's communities of identity as appropriate. We will extend the range of identity groups considered by the EIA framework to be more reflective of Manchester's key stakeholder groups.

Building on extensive evidence-gathering in 2019-20, we will undertake a series of workforce equality initiatives, in particular work to improve the representation, progression and workplace experience of our BAME and disabled employees. These initiatives will be supported by adaptations to our EDI learning and development offer and continuing our work on promoting EDI through our communication channels. We aim to mainstream EDI considerations in the workforce, making our role as an inclusive employer every employee's business as usual.

We will continue to work in partnership with and in support of Manchester's Voluntary, Community and Social Enterprise (VCSE) sector organisations. Recognising the vital role that the sector plays in meeting the needs of Manchester's diverse communities in an accessible and culturally competent way, we will maintain our support through the Our Manchester Funds Programme.

We will continue to work with Manchester's communities to deliver or support events and celebrations that promote the City's diversity of identities, cultures, traditions and languages. Building on an already established programme of events, we will seek to support new initiatives to ensure that the broadest range of identities is celebrated in the City.

The Council has begun to establish good partnership working relationships with its public sector partners on the EDI agenda, which will be strengthened going forwards. In particular, joint working across health and social care has opened up opportunities for EDI practitioners across organisations to collaborate and share, with a schedule of joint EDI deliverables being developed and delivered in 2020-21.

Our Corporate Risk Register

We will continue to evaluate and respond to those risks that could impact the achievement of Corporate Plan priorities. We will do this through delivery of our risk management strategy including the regular review, refresh and reporting of risk exposures.

The latest refresh of the Corporate Risk Register confirmed the following key risks that are being overseen by Strategic Management Team.

Theme	Risk Description	Risk Impact x Likelihood
Our Finances and Resources	**Planned savings** are not achieved resulting in increased pressure on reserves and requirement for unplanned savings and cuts to services to made to achieve a balanced budget.	4x4=16 High
Our Performance	Consequences of **Brexit** impact negatively on a range of budget and other assumptions for the Council, partners and residents of the City. These include impacts on business rates, care and health budgets, airport revenues and welfare budgets; as well as wider impacts on recruitment and retention, economic development, housing and infrastructure projects.	4x4=16 High
Our People	Capability of the **workforce** is not aligned effectively to key priorities and organisational requirements. This includes: ● capacity in core managerial and technical disciplines; ● leadership capacity and capability to drive change and transformation; and ● workforce motivation and engagement.	4x4=16 High

Theme	Risk Description	Risk Impact x Likelihood
Our Partnerships	Failure to achieve the desired and intended outcomes of **health and social care integration** increases further pressure on Council and health budgets; and impacts on the ability to achieve improved health outcomes for Manchester residents.	4x4=16 High
Manchester People	Loss of required **access to ICT** systems impacts on the ability to operate services and deliver to Manchester residents. This could arise from risks relating to core infrastructure (network and applications), hardware obsolescence (WYSE terminals), system availability (unsupported systems, insufficient licenses) or cyber-attack.	4x4=16 High
Our Performance	Lack of understanding or buy-in to **organisational vision and priorities** or alignment with partners means overall efforts are not focused efficiently and effectively in key areas and impacts the ability to deliver Corporate Plan Priorities and goals linked to Our Manchester and GM Strategy.	4x3=12 Medium
Our Partnerships	Key **suppliers** of goods and services or other partners fail to develop or deliver required services, due to lack of financial resilience or other factors, impacting the onward ability of the Council to secure required services to Manchester residents. A key risk given inflationary pressures, Brexit and lack of competition in some markets.	3x4=12 Medium
Legal and Regulatory	**Information governance and information technology security** arrangements, including behaviours of the workforce, partners and suppliers, are insufficient to prevent serious avoidable data losses, breaches or authorised access to systems or data.	3x4=12 Medium
Our Performance	Current or proposed **ICT systems** essential to business operations and legal compliance are not implemented or maintained (due to being out of support or lack inherent resilience) due to limitations in availability of financial and ICT resources.	4x4=16 High
Our People	Changes in **senior leadership** impact adversely on the capability required to promote and sustain positive organisational change and transformation.	4x3=12 Medium
Manchester People	Inability to maintain and demonstrate organisation-wide arrangements to **safeguard children and vulnerable adults** result in harm to those most in need with associated impact on families as well as financial and reputational damage to the Council.	4x3=12 Medium

Theme	Risk Description	Risk Impact x Likelihood
Our Performance	**Implementation of new case management system** (Liquid Logic) does not have the anticipated impact and fails to deliver the necessary improvements in practice, recording, reporting, management oversight and performance.	3x4 = 12 Medium

Manchester City Council
Report for Information

Report to: Children and Young People Scrutiny Committee – 5 February 2020
Executive – 12 February 2020

Subject: Children and Education Services Budget 2020/21

Report of: Strategic Director for Children and Education Services

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Summary

This report is an update to the report provided to the Children's and Young People Scrutiny Committee on 8th January 2020 to reflect feedback, the outcome of the provisional Local Government Finance Settlement and other government funding notifications. It sets out the Directorate's medium term financial plan and budget proposals and strategy for 2020/21. The report should be read in conjunction with the Council's Business Plan Report.

As in the January report, the proposed budget for 2020/21 makes proposals to apply £6m of additional Social Care Support Grant announced as part of the Spending Round and seeks approval for year two of the additional non-recurrent resource from the Social Care reserve of £10.674m to ensure there is sufficient resources to meet the care and placement needs of those children who are looked after by the Council.

The budget proposals for Children's and Education Services presented to Children and Young People's Scrutiny in January 2020 were based on the position at the end of October 2019. Since then there has been a significant increase in the number of children looked after as well as costs associated with leaving care. The Fostering Service has had an increase of 60 additional foster care placements, with 43 relating to internal carers. Special Guardianship Orders, Child Arrangement Orders and Adoption Allowances numbers have also increased overall by 23 since October 2019. Leaving care placements have increased by 16, with a 20% increase in the average unit cost. External and internal residential placements have remained unchanged. The ongoing impact for a full year would have an additional cost of c£4m, which is proposed to be met from the additional cash limit budget of £1.7m and full application of Children's and Education Services share of Social Care Support Grant. In addition to this £499k is held in contingency for inflationary pressures in 2019/20 on an ongoing basis. The Directorate's position will be reviewed with a view to confirming whether any of the inflation provision can be applied.

A further substantive update to the plan since the Children and Young People Scrutiny Committee in January 2020 reflects an update to the workforce strategy, which seeks to address the national and local context in which the Directorate operates. In order for the Directorate to continue to make improvements it is essential it builds a stable, talented and confident workforce to improve outcomes for children. The last report proposed £500k from the Social Care Support Grant in 2020/21, reducing in 2021/22 and 2022/23. This report includes further proposals which will be

funded from within the proposed cash limit budget and continued funding for Early Help through the Troubled Families grant funding which has recently been confirmed for a further year by the Ministry for Housing, Communities and Local Government.

The 2020/21 Dedicated Schools Grant notification was received on the 19th December 2019 and totals £560.304m. The overall increase in grant since last year is £29.536m. The biggest change in the grant is due to 1.84% per pupil related increase in part of the grant that supports primary and secondary schools and £11.994m uplift in the high needs block. The proposed Schools Budget for 2020/21 has been agreed in consultation with the Schools Forum on 20th January 2020 for which there is a separate School Budget 2020-2021 report to the committee.

Further to a request from the Children and Young People Scrutiny Committee in January 2020, a report to consider the scope of the revised Child and Adolescent Mental Health Services specification, locality transition plan and the benefits and impact for Manchester's looked after children and care leavers is scheduled for the Children and Young People Scrutiny Committee in May 2020. In addition there will be specific focus on the health of our looked after children/care leavers at a future Corporate Parenting Panel, which is chaired by Cllr Bridges as Executive Member.

Final budget proposals will be made to the Executive in February 2020.

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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	Effective Children and Education Services are critical to ensuring our children are afforded opportunities and supported to connect and contribute to the city's sustainability and growth.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the City; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the livability of the City

A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families who are able to deliver continuing growth in the City

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 forms part of the preparation of the Council's draft Revenue and Capital Budget for 2020/21 to be reported to the Executive for approval in February 2020.

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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.

Children and Education Services Business Planning: 2019-2020, Executive 13th February 2019

Children and Education Services Budget 2020/21, Children and Young People Scrutiny Committee 8th January 2020

1. Introduction

1.1 This report provides the Children's and Education Services proposed medium term financial plan and strategy for 2020/21. This is an update to the report provided to Children's and Young People Scrutiny Committee on 8th January 2020 to reflect feedback, the latest financial position and the outcome of the delayed provisional Local Government Finance Settlement announced on 20 December 2019. The provisional settlement confirmed all announcements in the 2020/21 Spending Round including the continuation of the existing and additional Social Care Support Grant funding. The Government has also confirmed the continuation of the Troubled Families grant funding for a further year. The report should be read in conjunction with the Council's Business Plan report.

1.2 As previously reported the budget strategy for Children's and Education Services in 2019/20 was to put the Directorate onto a sustainable footing for 2019/20 given the local and national pressures being faced by Children's Social Care Services. Additional non-recurrent resources of £10.674m per annum over three years were approved to go into a 'Social Care' reserve to address the pressures across all budget areas to provide the capacity that will enable a longer term approach by investing in early help and prevention alongside evidenced based interventions which support improving outcomes for children and financial sustainability.

1.3 For 2020/21 it will be a one year budget plan to reflect the Government's Spending Round for local government. However, the 2020/21 budget proposals are part of a longer term budget strategy for Children and Education Services. That strategy is intelligence led and reflects the Directorate priorities that aim to work within existing economies of scale to strengthen partnerships and deliver services local, place based on a city wide, locality and neighbourhood footprint. This delivery model includes collaboration with Manchester Local Care Organisation (MLCO), and is being aligned with Bringing Services Together and Manchester's Multi Agency Safeguarding Arrangements (MMASA).

1.4 The budget proposals for Children's and Education Services presented to Children and Young People's Scrutiny in January 2020 were based on the position at the end of October 2019. Since then there has been a significant increase in the number of children looked after as well as costs associated with leaving care. The ongoing impact is estimated as c£3.5m. This will be funded from the Social Care Support Grant (£1.8m) with the remaining £1.7m being met from the previously unbudgeted growth in business rates.

1.5 The substantive update to the plan since the Children and Young People Scrutiny Committee in January 2020 reflects an update to the workforce strategy which seeks to address the national and local context in which the service operates. In order for the service to continue to make improvements it is essential it builds a stable, talented and confident workforce to improve outcomes for children. The last report proposed £500k from the Social Care Support Grant in 2020/21, reducing in 2021/22 and 2022/23. This report has considered feedback during the consultation process and additional initiatives which will be funded from within the proposed 2020/21 cash limit budget and continued funding for Early Help through the Troubled Families grant funding which has recently been confirmed for a further year by Ministry for Housing, Communities and Local Government.

1.6 The 2020/21 Dedicated School Grant notification was received on the 19th December 2019 and totals £560.304m. The overall increase in grant since last year is £29.536m. The biggest change in the grant is due to 1.84% per pupil related increase in part of the grant that supports primary and secondary schools and £11.994m uplift in the high needs block. The proposed Schools Budget for 2020/21 has been agreed in consultation with Schools Forum on the 20th January and is reported on in a separate report to this meeting.

1.7 As previously reported, the budget for 2020/21 makes proposals to apply £6m of additional Social Care Support Grant announced as part of the Spending Round and seeks approval for year two of the additional non-recurrent resource from the Social Care reserve of £10.674m to ensure there is sufficient resources to meet the care and placement needs of those children who are looked after by the Council. Since the report in January, an additional cash limit budget of £1.7m is proposed towards the cost for 2020/21 from a recent increase in the number of placement for children looked after and leaving care.

2. Background and Context

2.1 In line with the priorities of the Our Manchester Strategy, and Our Corporate Plan, the Directorate's focus is to work with our partners and stakeholders so that Manchester's children and young people are safe, happy and successful; attending a 'good or better' school.

2.2 The Directorate also contributes to other corporate priorities, including supporting Manchester's Children and Young People to be healthy, well and safe (Healthy, cared for people), enabling clean, safe and vibrant neighbourhoods through promoting the welfare of young people (Neighbourhoods) and reducing demand through reform and enabling our workforce to be the best they can be (Well-managed Council). It also plays a leading role in ensuring our young people are equipped with the skills they need to benefit from the growth of the city (Growth that benefits everyone).

2.3 The priorities, guiding principles and behaviours of Our Manchester, run throughout all key strategies and approaches being taken forward in the city from the overarching Children and Young People's Plan (Our Manchester, Our Children) through to Early Help, Our Promise to Looked After Children and Care Leavers, All Age Disability, Youth Justice Plan, Valuing Young People and Young Carers Strategy; as well as contributing to other strategy/delivery plans to improve the experiences and outcomes for our children and young people.

2.4 The Directorate for Children and Education Services is responsible for the following services:

- Early Help
- Early years
- Education services
- Special Educational Needs and Disabilities (SEND) for 0-25 years
- Children's Social Care Services for children and their families
- Statutory responsibilities for safeguarding, looked after children and young people, care leavers
- Youth Justice Services
- and a broad range of associated functions.

2.5 Manchester is a large, diverse and complex local authority with a growing child population; increasing by 22.6% between 2008 and 2018, and projected to increase by a further 17.2% between 2018 and 2028. The numbers of pupils recorded on the October 2018 school census increased by 15,875 (26%) between October 2013 and October 2018, with 8,466 (43%) of the increase relating to secondary aged pupils.

2.6 The total number of children and young people aged 0 to 25 year with SEND that have an Education Health and Care Plan (EHCP) maintained by Manchester in 2018 was 4,099. This is a 61% increase since the end of 2015 and the Council is receiving more requests for EHCPs for young people aged 20 to 25 years. In Manchester's schools, there are a total of 2,895 EHCPs which is a 23% increase over three years. The most common types of primary need for pupils in Manchester with an ECHP is autism (26%), social, emotional and mental health (21% - compared to 12.8% nationally) and severe learning difficulties (19% - compared to 12.5% nationally).

2.7 The basic level of unit funding for primary and secondary pupils in the Dedicated Schools Grant (DSG) has risen from £5,088 in 2014/15 to £5,288 in 2019/20, an increase of £200 per pupil in cash terms. However, when compared to the Retail Price Index (RPI) inflation over the same period, it represents an actual real term reduction of around £643 per pupil. This is similar for those children with SEND/high needs, which has seen funding for 2-18 year olds increase from £615 to £657; an increase of £42 per child. However, when the RPI inflation is applied it represents an actual reduction of approximately £105 per pupil, thus compounding the impact of children in need of services from the Council and growth in Manchester's child population.

2.8 Following the publication of the Ofsted Inspection of Children's Services in 2014 additional Council resources were invested into Children's Services, specifically targeted at supporting improvements in the Statutory Safeguarding, Looked After Children's Services and Early Help Services. Significant progress and success has been achieved since 2014, characterised by the Ofsted judgement in December 2017 that the Council's services for children and young people looked after and those in need of help and protection are no longer inadequate.

2.9 Positively, there is strong evidence that progress continues to be made across both Children and Education Services as outlined the bi-annual self assessments and 2018/19 outturn performance report; both of which demonstrate Children and Education Services have performed well against the majority of targets compared to the 2017/18 reporting period. The exception to this, and most significantly, is the increase in children looked after by the Council; a pattern that is similar to all comparable statistical neighbours and areas where there are high levels of deprivation.

2.10 Since 2015/16 there has been significant progress in reducing the number of children placed in residential provision with an increase in those placed within internal foster care placements. In addition there have been improvements in securing a ‘permanent’ arrangement for children through adoption and the increased number of Special Guardianship Orders (SGOs).

2.11 The Council has been part of a Regional Adoption Agency since 2017, which has maintained the good performance and mitigated the removal of the ‘inter-agency fee’ grant.

2.12 In addition, during the same time period there has also been a significant improvement in the quality of settings and schools in the City; reflected in the end of school year in July 2019 when:

- 93% of school children in Manchester attend a good or better primary school compared to 88% in 2014
- 79% of pupils attend a good or better secondary school compared to 64% in 2014.
- 98% Early years setting are good or better compared to 64% in 2014

2.13 The improvements in Children and Education Services has in part been associated with stronger partnerships supporting greater collaboration and robust leadership; underpinned by an effective performance/assurance framework.

3. Budget Strategy

3.1 Manchester’s Children and Education Services continue on a ‘journey to excellence’ to increase the effectiveness of services and outcomes for children and young people. This and delivery of our financial plan cannot be achieved in isolation, rather a strong partnership (internally within MCC and externally with our key partners). This is facilitated through effective leadership and management at a locality level and development of programmes of activity with our key partners, adopting a targeted and systematic approach that delivers:

- Improved standards of practice;
- Earlier prevention to reduce reliance on expensive specialist services;
- Better commissioning and market management to increase impact and reduce costs;
- Making efficiencies where possible in service delivery.

Children's Locality Programme

3.2 The aim of the Children's Locality Programme is to deliver with partners an integrated, multi-agency place based teams centred around locality partnerships and understanding and resolving of the specific complexities for children in each geographical area. The Children's Locality Programme is made up of the following series of interconnected projects:

1. Complex safeguarding;
2. Front door reform;
3. Early Help / Early Years to include a further strengthening of partnerships and collaboration with the Manchester Local Care Organisation and Integrated Neighbourhood Teams;
4. Social work teams;
5. School clusters;
6. Youth Justice Service;
7. Leadership across children's partnership.

3.3 The current project plan has a timeline for completion by April 2020, when all expected structural and service changes will be completed. This has already started and will propagate greater collaboration. The aim is for practitioners working together in a locality, having conversations to agree effective, right and timely interventions resulting in positive change for our children to have a safe, happy, healthy and successful lives; preventing unnecessary escalation of children's needs and negative long term outcomes.

3.4 It is anticipated the impact of the Children's Services Locality Programme will release social worker capacity to redirected to better support a timely plan of 'permanence' for children who become looked after and support the continued improvement in the overall quality of practice and divert resources to early help services.

3.5 Joint commissioning activity and focused evidenced based interventions such as the implementation of No Wrong Door, 'Front Door' reform and the Complex Safeguarding Hub are expected to lead to a sustained reduction in the number of children requiring a statutory intervention and specialist care placements.

3.6 Manchester's Children's Services and its partners have expressed a commitment to implement the Strengthening Families programme which is a multi-agency approach that uses motivational interviewing taking a 'think family' approach facilitated by the co-location of Adult, Mental Health and Domestic Abuse and Children's Services. Developed in Hertfordshire, the evidence demonstrated a reduction in both admissions and length of time children spent in local authority care. It is anticipated this project will begin following Ofsted's ILACS (Inspection of Local Authority Children's Services) and require additional investment of £350k. Following the review of Children's Services Front Door which has taken place during 2019/20, this is expected to release costs from the Multi Agency Safeguarding Hub (MASH) and Duty and

Assessment Teams which will support the investment into Strengthening Families.

3.7 Children require consistency and continuity of care in order to provide them with a foundation from which their physical, emotional and developmental needs can be met. Permanence is a framework of emotional, physical and legal conditions to give a child a feeling of security, continuity, commitment and identity. The greater degree of permanence will come from practice standards and guidance, systems to enhance outcomes and workforce development to identify best permanence options and understand the journey to permanence must start from the outset. This will be supported by the tracking of individual children to ensure more timely and better outcomes for children using alternatives to care. It is expected that children will secure 'permanence' quicker, which would mean for some children the average length of time in care will reduce; the cost of this will be met from within existing resources and the financial benefits should be realised in the medium to long term.

3.8 The Children and Social Work Act 2017 mandates Local Safeguarding Children Boards to replace their current arrangements with new flexible local safeguarding arrangements. The revised statutory guidance underpinning the Act, Working Together to Safeguard Children, came into force on 29 June 2018. The Act establishes collective responsibility and accountability of these arrangements across the three Chief Officers (from the local authority, Clinical Commissioning Group and the Police). It is expected that the introduction of the Manchester Safeguarding Partnership will lead to a reduced supporting infrastructure (business unit and commissioning of reviews) and therefore level of financial contribution once established and practices embedded. This is likely to result in a financial saving in the medium and long term.

Integration with partners

3.9 The development of greater collaboration and partnerships in the delivery of services for children and families at a locality level is central to improving the experiences and outcomes for Manchester's children and the Directorate Budget Strategy. Subsequently, underpinned by the 'Our Manchester' behaviours a key component of the 'Delivering Children's Services in a Locality' programme of work is the development of local leadership arrangements to drive changes in behaviour and culture.

3.10 Since 2017 Manchester Health and Care Commissioning (MHCC), Children's Social Care and Education Services have worked increasingly closer together in the commissioning of services for children with complex/high needs. This is achieved via agreed processes and the establishment of a High Needs Multi-agency Commissioning Panel. The panel considers and agrees funding requests to commission specialist services for any child or young person who has complex physical, psychological or behavioural needs, that cannot not be met by universal services and require either dual or tripartite funding. The Panel covers all children from the age of 0 to 18 years. In 2019/20 MHCC has contributed £3.4m towards meeting the needs of children with complex/high needs.

3.11 There remains negotiations to establish an aligned budget for children with complex/high needs for 2020/21. Notwithstanding this a formula for the commissioning of specialist provision has been agreed, progress towards an aligned budget and collaborate in the commissioning of provision where gaps have been identified through an analysis of needs. It is expected the following and agreed activity will positively impact on outcomes, improve value for money:

- Review and refresh the Children's Commissioning Strategy and the priorities set out therein. This will be informed by an analysis of the 'top' 100 most expensive placements which is c£20m in totality, working across Greater Manchester to secure a joint budget and commissioning approach that works in harmony with the work taking place across Greater Manchester and dovetails with Placement North West.
- Develop and implement early transitions for children and young adults with high needs inc joint assessments, planning and reviews with Adult Transitions Services.

3.12 Manchester City Council operates two children's homes, Lyndene and Olanyian, through a commissioning arrangement with external providers. These two children's homes are currently being recommissioned in partnership with MHCC against a specification that will promote occupancy rates and targeting a specific cohort of young people (informed by analytics and need). It is expected this will lead to a medium to long term reduction in spend through better occupancy rates and a more effective intervention with young people that improve their outcomes and avoid expensive external placement costs. The Council and MHCC have recently submitted a bid and secured capital funding from the NHS England which will contribute to costs associated with the remodelling of the homes; particularly in relation to supporting children and young people with a learning disability.

3.13 In addition, as part of the NHS transformation/Ithrive programme MHCC has reviewed, developed and issued a new specification with Manchester Foundation Trust (MFT) for Child and Adolescent Mental Health Services (CAMHS), making reference to the needs of children looked after, care leavers and using the 'Ithrive' model to focus on determining positive outcomes for all Manchester children. The new commission will extend the current offer to children looked after, children and young people aged up to 25 years and those placed outside of Manchester and care leavers. The new contract commenced in September 2019. This brings to an end the £0.5m contribution in 2020/21 that the Council has made to MFT since the Early Intervention Grant funding ended in 2011. The funding released will be used to support the development of provision for children with high and complex needs. Further to the Children and Young People Scrutiny Committee in January 2020, a report to consider the scope of the revised CAMHS specification, locality transition plan and the benefits and impact for Manchester's looked after children and care leavers is scheduled for the Committee in May 2020.

Commissioning Strategy

3.14 Children's Services commissioning expenditure accounts for c£50m of the budget through the commissioning of a broad range of services which contribute to and meet the needs of our children and young people. Over the last few months the Directorate has undertaken a comprehensive analysis of the range of children's needs, demand and placement requirements to inform a strategic commissioning strategy; essential to inform the medium and long term financial plan. The strategy in development will aim to manage the complexity of presenting needs and rising placement costs within the local and regional market, specifically:

- The alignment of current internal and external market capacity and existing commissions with the current and projected future needs.
- Consider and development opportunities to shape and influence the internal and local/regional external provider market
- Identify future opportunities for the Council to invest capital such as developing partnerships with charitable or non for profit organisations.

3.15 To support the medium term financial plan a quantitative cost and activity model has been undertaken internally by the Council which identified potential growth scenarios for children looked after based on recent trends and projections of referrals, admissions and discharge rates and 0-18 population projections. There is projected to be a greater number of children living in the city by 2025, estimated at around 14,500 more children. Consistently the proportion of the under 18 population in care for the last five years has remained between 1.1 and 0.9%. Therefore the most likely scenario for financial planning purposes is for 1% of the projected child population.

3.16 In addition an external provider has undertaken a benchmarking exercise that considers the costs, profile of children and the range and choice of placements for our looked after children against similar local authorities. The findings from this exercise indicated the correlation between need and the 'trilogy of risk' (domestic violence, substance misuse and mental health) and social determinants indicate a more prudent forecast for financial modelling should be used for financial planning purposes. The recommendation is for a 3% increase per annum in admissions to care, rather than 1% of 0-18 year old population which has previously been considered.

3.17 In addition further findings from the external provider were as follows and will be used to inform the placement sufficiency plan;

- Manchester has succeeded in maximising Special Guardianship Orders (SGO) conversions compared to other areas, therefore ongoing high growth in that area would be unrealistic for future planning.

- Whilst the shift from external foster care to internal foster care between 2016 and 2019 of c100 placements has been achieved, it was highlighted that 63% of internal carers are over 50 years old. Internal foster care recruitment needs to plan for replacement of 19 carers per year just based on attrition alone. It is unlikely that recruitment targets will be achieved and recommendation is for a target of 40 new carers per year and improved recruitment and retention of existing internal foster carers.

- There were 56 adoptions in 2018/19, which was a reduction in 2017/18. As the Regional Adoption Agency (RAA), Adoption Counts has only been in practice for two years, it is suggested that the adoption rates will start to increase again, now that the RAA is more established and better understands the needs of Manchester's children. It is proposed that there is an increase of 10 adoptions every year for the next 5 years.

- Manchester uses a high number of Independent Fostercare Agencies (IFAs) compared to other Greater Manchester local authorities; proposing a strategic approach that reviews processes and engagement with external provider market; negotiating on price and is reflective of Manchester's presence in the local market.

- Manchester has the lowest proportion of children looked after in residential care when compared to other Greater Manchester local authorities at 10.2%, therefore significant reductions in the use of residential are not likely to be achieved.

- Whilst there was no specific recommendation finding and proposal that considered the growth of internal provision, it is suggested that a focus should be on marketing, increasing the number of placements made locally and better use of North West Framework to manage and reduce costs.

- In addition to making better use of 'step down' from residential settings to fostering, a specific recommendations indicated there was insufficient commissioning capacity at a senior level with Children's Services and for this to be focused on delivering the following four strategic aims;

    1. Grow internal fostering refocus the IFA market
    2. Reform processes to manage complexity
    3. Commission for outcomes
    4. Reduce avoidable residential care unit costs

3.18 Informed by our own analysis and that of the external provider a detailed action plan for the sufficiency strategy will be produced by the service over the next few months. Progress against the plan will be overseen by the Strategic Director of Children's and Education Services reported quarterly to Strategic Management Team and Executive Members. This will require the Directorate to secure additional commissioning capacity; the estimated cost implications of this are reflected in the budget proposals for 2020/21 in the next section.

Directorate review for Children and Education Services

3.19 Since 2018 there is clear evidence that the Directorate priorities and strategies have had a positive impact. Subsequently alongside changes in the presenting needs of children, trends and patterns of service requirements inform us there is now a need to 'realign' resources in order to ensure this progress is sustained and the Directorate positively contributes to building a 'safe, healthy, happy and successful' future for our children. Consequently a directorate review is being undertaken to ensure resources/capacity are better aligned to the service priorities. This review is expected to create opportunities and lead to changes in roles, responsibilities and deployment of staff. In addition there are a number of specific service/team reviews being undertaken to identify how the respective service area can build on our success to date and better supports our strategic priorities and improve the outcomes for children.

3.20 Significant progress has been made since 2015/16 and has reduced the 'agency spend by £1.7m. If this can be sustained the aim is to reduce the agency spend further by March 2020. However, an analysis of 'leavers' indicates an emerging pattern of staff terminating their employment after two years in post, with no apparent single issue. Consequently progress is reliant on effective 'branding/communications', management support/span of responsibility, manageable workloads, competitive terms and conditions for Social Workers including career progression. Plans to address this are in development and the estimated cost implications of this are reflected in the budget proposals for 2020/21 in the next section.

Education and schools

3.21 The Dedicated Schools Grant funding settlement was announced on the 19th December 2019. The settlement includes funding for pupil growth, inflation, high needs funding and increases where core funding is below the national minimum funding levels. Manchester's additional grant for primary and secondary school at local authority area level is £16.9m in total. £8.7m of the increase relates to a 2,071 additional pupils in the city and £8.2m is as a result of the 1.84% increase in the amount of the grant allocated on a per pupil basis.

3.22 The part of the grant supporting high needs has increased by £11.994m in 2020/21. £11.309m of the £11.994 increase relates to an uplift in the grant nationally. £0.685m of the increase relates to the additional numbers of high need pupils and level of need in the city. This is a significant uplift however around £0.3m less than estimated in the last report. This will still enable the Council to avoid any reduction in funding to schools to fund pressure on high needs budgets as other authorities have done and Manchester considered and consulted on for 2019/20.

3.23 The high needs block includes the funding for special school places and independent specialist placements, special services such as the Sensory Service, resourced provision in mainstream schools and top up funding for mainstream schools and colleges linked to statements/Education, Health and Care Plans (EHCPs). These children are often found to require specialist health and social care provision and are reflected in the tripartite funding protocol described above.

3.24 The increase in funding will be allocated in full to meet the existing and new pressures on the budget. There will be a significant carry forward deficit from 2019/20 projected to be £3.7m and a similar underlying deficit for 2021/22. Provision in the independent sector is commissioned on a more costly place by place basis and not using block contracts. Currently a large part of the provision used is provided by one Trust that has just announced a 5% uplift on all provision. Work has been initiated to work with this Trust to ensure that our arrangements for commissioning provision is more cost effective.

3.25 In the medium term there is a planned programme of capital investment to significantly increase the number of special school places provided by the Council. This will reduce spending on specialist placements in independent provision which is currently being used to meet increased need. On average a place in specialist independent day provision is £35k compared to an average of £19k in a Manchester special school. Increasing the number of places available in areas of high need such as north Manchester, will also reduce costs of providing home to school transport.

3.26 The capital programme includes £4.8m of investment in additional provision for young people with SEND who are post 16. Once completed, there will be the option to register this provision so it can meet the needs of young people up to the age of 25. This will also reduce pressure on this element of the high needs budget.

3.27 The launch of a strategy for the Council to reduce exclusion and promote inclusion will also impact on children who wherever possible should be educated in mainstream schools. This strategy aims to reduce the number of children in Manchester excluded from school, will reduce the requirement for places and the pupil referral unit (PRU) which is creating a pressure within the high needs block and contributes to the pressures within Children's Services. Consequently the strategy is multi-agency/disciplinary and will include a 'deep dive' to better understand the increases in numbers of pupils in Manchester with social, emotional, mental health needs and how this could be reduced.

4. Revenue Budget 2020/21

Introduction

4.1 The Children and Education Services net annual budget for 2019/20 is £120.432m with 1,316 full time equivalent staff summarised in the table below:

Table: 2019/20 Base budget

Service Area	2019/20 Net Budget (Original) £000's	2019/20 Gross (Revised) Budget £000's	2019/20 Net (Revised) Budget £000's	2019/20 Budgeted Posts (FTE)
Children's Safeguarding	98,631	114,649	99,589	885

Education*	17,446	334,998	16,383	314
Directorate Core and Back Office	4,357	4,564	4,460	117
Total	120,434	454,211	120,432	1,316

*Education gross budget includes the Dedicated Schools Grant (excluding Academy Schools)

4.2 The Children's and Education Services net budget has reduced by £2k between the original net budget approved by the Executive in February 2019 of £120.434m and the current budget of £120.432m. The reductions relate to transfer of Youth Services to Neighbourhood Services, a cross cutting saving and centralisation of building running costs to Corporate Facilities Management Service. There have been budget increases relating to inflation funding from the Corporate inflation budget for home to school transport contracts, looked after children and care leaver placements.

4.3 In 2019/20 the additional investment from the social care reserve of £10.674m of has been applied to the Children's Services Safeguarding budget to provide sufficient funding to respond and meet the needs of children in need of help, support or protection. The majority of the investment has been applied to meet the costs of children and young people placements in foster-care, residential and supported accommodation. The main factors that drive numbers and costs of care for children are:

- Market 'saturation' attributed to local, regional and national needs of children becoming and/or looked after and attributed to a complex interaction between demographics, socio-economic trends and new contextual challenges.
- Cost of placements affected by the market and effectiveness of the approach and contract and commissioning strategy.
- Placement types and the ratios of different types of care provided which has a significant impact on the overall cost of care to Council.

4.4 In 2020/21 the continued investment of £10.674m will be required to ensure the Directorate is able to meet levels of need of children in 2019/20; supported by the application of £6m Social Care Support Grant to reflect existing and future potential pressures from predicted increasing need.

4.5 The existing and new investment will be applied to stabilise the service and meet the cost of children looked after placements. This will enable the Directorate to maintain capacity for early help services and social work which will impact the effectiveness of the service and outcomes for children and young people from improved standards of practice and earlier prevention to reduce reliance on expensive specialist services. There is a small amount of the investment proposed to be used to improve commissioning and market management to increase impact and reduce costs and making efficiencies.

4.6 It is proposed that the use of Social Care Support Grant is phased over 2020/21 and 2021/22 to smooth the impact of budget strategy and efficiencies from the investment that are projected for 2021/22 and 2022/23. It is estimated that £4.2m of the grant will be used in 2020/21 and the remaining £1.8m transferred to the social care reserve for use in 2021/22. The following paragraphs set out proposed use of the Social Care Support Grant in 2020/21:

Children looked after placements

4.7 Over the last five years the number of children looked after per 10,000 aged under 18 years old in Manchester has reduced compared to other similarly deprived authorities and most Greater Manchester local authorities. The trend over recent years has been for children looked after numbers to be c1% of the under 18 population. A continuation of this trend would lead to an increase of 82 in 2020/21 from the 2019 baseline of 1,281 (on which the 2019/20 budget is based). This would be an additional budget requirement of £0.692m.

4.8 Following an external review considering the potential future impact on admissions to care from factors such as domestic violence, substance misuse, mental health and other social determinants, a more prudent forecast is recommended. This reflects the impact of admissions to care increasing by 3% per annum (para 3.16) which would increase children looked after numbers to 1386 in 2020/21, an increase of 105 against the April 2019 baseline. Current children looked after numbers in October 2019 are 1,335, which suggests there is an increase in looked after children that already exceeds the growth anticipated at 1% of the child population. To allow for a more prudent increase would require a further investment of £1.186m.

4.9 This would be an additional budget requirement for an increase in children looked after numbers in 2020/21 of £1.878m which has been reflected in the proposed budget.

4.10 In the January 2020 report to the Children and Young People Scrutiny Committee the full year cost impact in 2020/21 of increases to children looked after during 2019/20 at end of October was estimated to be £0.964m. Resources of £500k currently committed to Child and Adolescent Mental Health Services in 2019/20 were proposed to be redirected in 2020/21 to reduce the pressure on the complex placements budget. It is proposed that the balance £464k is committed from the Social Care Support Grant to meet the full year effect cost of current placements in 2020/21.

4.11 By the end of December 2019 there had been a significant increase in the number of children looked after as well as costs of leaving care. The Fostering Service had an increase of 60 additional foster care placements, with 43 relating to internal carers. Special Guardianship Orders, Child Arrangement Orders and Adoption Allowances numbers have also increased overall by 23 since October 2019. Leaving Care placements have increased by 16 with a 20% increase in the average unit cost. External and internal residential placements have remained unchanged. External and internal residential placements have remained unchanged. The ongoing impact is estimated as c£3.5m. This will be funded from the Social Care Support Grant (£1.8m) with the remaining £1.7m being met from increase to the Children's Services cash limit budget.

Leaving Care

4.12 Despite placements being more cost effective and of better quality, the number of placements has continued to increase during 2019/20. Leaving Care Allowances have also increased by 35% last year following change to extend support up to the age of 25 for all care leavers through the Children and Social Work Act 2017.

4.13 Work continues with Strategic Housing to increase the range and choice of provision for care leavers that is both suitable and achieves value for money; whilst enabling young people to successfully live independently. This includes investment in Supported Accommodation provision at Seymour Road and adoption of the National House Project; providing supported tenancies for care leavers in the spring 2020 onwards. In addition, there is ongoing work with Homelessness in order to review the response and offer to young people (16/17 year olds) presenting as homeless and the associated costs. For 2020/21 investment of £1.183m is proposed to provide sufficient budget to meet the current and presenting need.

Support for Families

4.14 Section 17 of the Children Act 1989 places a duty on local authorities to safeguard and promote the welfare of children within their area who are in need; and so far as it is consistent with that duty, to promote the upbringing of such children by their families. This support can include a wide range of services but usually includes accommodation and/or essential living expenses; often associated with families at risk of homelessness, including those with refugee status, limited leave to remain or discretionary leave; all of whom are eligible for an assessment and/or support under s17 if so identified. The Council's budget for this support is currently forecast to overspend by £390k, with a risk this may increase due to the impact of welfare reform and the uncertainty with Brexit.

4.15 People who remain in the UK unlawfully or are refused asylum seekers and have 'No Recourse to Public Funds' (NRPF) may still be entitled to support to avoid a breach of the family's human rights and to support a child directly. The Council supports families in this position through the NRPF team which supports people with their application to the Home Office and has a separate budget. At this stage this budget has an underspend of £200k which provides some capacity for the pressure in this area increasing further.

Workforce

4.16 Social Work Recruitment and Retention - Manchester's CIty Council's Children's Services have continued to improve the experiences and outcomes of children and their families in receipt of services. This has been supported by an increase in the stability of the workforce and reduced social worker turnover, which has also shown a reduction in the use of interim/agency staff resulting in a saving of £1.7m since 2017. However, in recent months the turnover and vacancy rates for children and family social workers has increased. An analysis of exit interviews, 'leavers' and a terms and conditions benchmarking exercise indicates a pattern of social workers leaving the employment of the council after two years and a significant difference in the salary paid by Manchester and neighbouring local authorities for 'experienced' social workers. A series of measures are being considered, to be in place by March 2020, that seek to build on the strengths in the service to recognise the commitment and loyalty of our staff, slow the increase in social work turnover, increase the social work experience in the service and remove the reliance on agency staff. An overarching 5 year recruitment and retention strategy has been developed to incorporate the aforementioned measures in addition to investments into workforce development, flexible working, health and wellbeing and quality of social work practice to ensure Children's Services is well positioned to attract and retain talent, and secure improved outcome for children and families. The estimated cost of these proposals is £500k in 2020/21, reducing in 2021/22 and 2022/23.

4.17 Social Work service realignment. Since 2016 the Directorate has initiated and completed a number of service reviews and redesigns including the Complex Safeguarding Hub and Children's Services 'Front Door' arrangements. The impact has been in accordance with strategic intent and resulted in a reduction in the number of social work referrals and assessments. Subsequently as part of the Children's Services Locality Programme Board it is planned to realign the social work capacity to better respond to and meet the needs of Manchester's children and deliver safe, effective and efficient service. It is anticipated along with the proposals alluded to in paragraph 4.11 will support our approach to recruitment, retention and driving standards of practice. The realignment is progressing towards the implementation phase and should be in operation by April 2020.

4.18 Families First Service delivers an intensive short-term family support intervention to children who are considered to be on the 'edge of care'. A review of the service has been completed to evaluate the impact of the service, value for money and alignment with strategic and practice priorities. The findings from the review concluded that whilst there are benefits the service can be more efficient, better aligned to the developing locality delivery model and support wider Directorate priorities. These changes are anticipated to result in the workforce capacity, skills and knowledge being reinvested to support the proposals set out within this report; creating alternative opportunities for the affected staff.

4.19 Commissioning - Despite much improved planning and joint commissioning arrangements between Children's Social Care, Education and MHCC, since 2015/16 the average cost of residential care has increased by £1,500 (60%) per week. This presents one of the most significant financial challenges for the Directorate's budget. The delivery of the commissioning strategy described above needs to be supported by sufficient strategic commissioning capacity with skills, knowledge and expertise to implement and deliver the aforementioned commissioning and placement sufficiency plan; against which financial costs and benefits could then be determined for future years. It is estimated that an additional investment of £145k for workforce capacity will be required. This capacity is expected to achieve the following:

- Work in partnership with Council, Manchester Health and Care Commission (MHCC) and Manchester Local Care Organisation (MLCO) to contribute to wider strategies and develop a Commissioning Strategy for Children and Education Services
- Oversee and deliver strategic commissioning and contract management priorities for the Directorate
- Engage with and develop the private and public sector market to be more responsive to the presenting needs of Manchester's children; ensuring there is 'sufficient' range and choice of placements for 'our' children and are value for money.

4.20 Placement Stability Service - Children's Services is reliant upon universal and edge of care services to address the identified needs. There is no specific service to support carers at times when they are experiencing difficulties and all too often has resulted in instability of and/or breakdown of fostering arrangements; which has at times led to the use of expensive external provision. Children's Services is seeking to establish a Placement Stability Service with the aim of providing a targeted and specialist intervention to prevent the breakdown of fostering arrangements, high cost external placements and improves the wellbeing and outcomes for our children and young people. Additional investment of £200k for workforce capacity is required to support this.

Children's Legal Services

4.21 The cost of legal support for Children's Services has continued to increase significantly this year. The Strategic Director of Children's and Education Services and the City Solicitor having considered the cost drivers are working together to manage need, reduce the use of experts, streamline decision making/legal advice processes to create solicitor capacity. Children's Services and the Corporate Legal Service are working to address this position. For 2020/21 the Corporate Legal Service requires investment of £300k to reduce the use of external legal services by improving the recruitment and retention of solicitors within the Council and to increase capacity to deal with more complex cases. Children's Services require investment of £0.9m to address the need for legal services and to meet the requirements of the courts, of which £300k is funded from a transfer of budget from Corporate Core.

4.22 Nationally, the number of children being referred to Children's Social Care Services and who require statutory intervention that has resulted in legal care and/or supervision proceedings has risen by 25% since 2016. The President of the Family Division for the Judiciary has reported more needs to be done to strengthen the pre-proceedings work/assessments prior to making a legal application; this in turn would at times avoid expensive and protracted legal proceedings. This highlights the importance of having sufficient children legal and social work capacity to manage the volume of activity and complexity of children and their family needs.

Regional Adoption Agency

4.23 From July 2017, adoption services in Stockport, Manchester, Trafford, Salford and Cheshire East local authorities have been delivered through an integrated service called Adoption Counts. This is a Regional Adoption Agency (RAA) as set out in the Education and Adoption Act 2016 and was the second regional adoption agency to become operational nationally. By 2020, the government expects all adoption services to be delivered via regional adoption agencies. Adoption Counts are responsible for recruiting adopters, family finding for children and providing support to adoptive families.

4.24 In 2019/20 MCC invested £200k into the RAA to reflect the national challenge with identifying prospective adopters and the need for greater capacity to increase the number of adoptions opportunities for Manchester children. In 2019/20 the interagency fees have increased due to using placements from other agencies to meet assessed needs. In the longer term recruitment of prospective adopters should provide greater capacity for meeting diversity of need. It is proposed that the RAA budget is increased by £95k in 2020/21 to meet the cost of interagency fees and the position is reviewed for 2021/22 to reflect progress by the RAA to manage the overall cost of the service.

Education Psychology

4.25 The Education Psychology budget is currently forecast to overspend by £349k in 2019/20. EHCPs for children and young people aged up to 25 were introduced on 1 September 2014 as part of the Special Educational Needs and Disability provisions in the Children and Families Act 2014. In Manchester schools, there are a total of 4531 EHCPs which is a 23% increase over three years. Subsequently, Education Psychologists assessments have had to increase beyond the current available budget. In 2018/19 the Special Education Needs reform grant was used to manage this pressure, this grant is no longer available.

4.26 There is a further risk that costs may increase in 2020/21 because the commission for Educational Psychology is being tendered for the first time since it transferred to One Education and became a traded service. Nationally, the demand for Educational Psychology exceeds supply and this could influence the response to the tender and increase costs. This service is not permitted to be funded from the Dedicated Schools Grant consequently pressures on this budget will need to be offset through other Education budgets.

4.27 In order to manage further increases in need the Directorate is appraising whether delegating funding to special schools and PRUs for Educational Psychology and commissioning some Educational Psychology time to provide support and advice to school clusters will reduce the need for re-assessments and reduce the pressure on this budget. For 2020/21 investment of £350k is required to provide sufficient budget to meet current need.

Home to School Transport

4.28 The budget is currently forecast to overspend by £134k, which is a significant reduction on the 2018/19 pressure of £0.7m. In the medium term, options to reduce the spend for home to school travel include:

- Procurement of an ICT programme which is more efficient at modelling routes for transport;
- A complete service redesign which will allow more capacity for home to school travel assessments and more creative solutions;
- Continuing to review arrangements where transport is provided but is not a statutory requirement;
- Working with special schools on arrangements whereby they support transport arrangements for the most complex young people.
- Working with the Placement Commissioning Team to ensure that providers and foster carers provide home to school transport as part of commissioning arrangements; removing duplication.

Early Years Children's Centres

4.29 In 2012, the Council took the decision to withdraw from the direct provision of day care services in order to move to a new model, with the Council acting as commissioner of day care services. The Council entered into leases of 37 vacant properties with day care operators across Manchester. All leases included a full repair and maintenance responsibility. A number of leases have now reached expiry point or a rent review. This has led to day care providers requesting a renegotiation of their lease terms as the current leases are no longer financially viable or providers have chosen to withdraw their services. The condition of the Council's estate for tendered day care is in a poor state, which is having an impact on the environment Manchester children are experiencing. The cost of maintaining the buildings is prohibitive with providers requesting that the Council takes responsibility for repair and maintenance of the property whereupon they would be willing to pay a higher market rent. With lease income being lower than expected and running costs of maintained tendered day care site being higher than budgeted for there is a recurring pressure on the budget; with a risk this may increase should 'provider income' reduce.

4.30 In light of these challenges the procurement process for tendered sites, maintenance and repair of the day care estate, management of the estate and the process of recharges is being considered. Condition surveys of properties will take place over the next few months to inform the review of leases and to ensure young people in Manchester get the opportunity to attend a good or better childcare provider that is situated in a fit for purpose education environment. Additional investment of £250k is required reflect the ongoing costs for maintaining the properties.

Short breaks for disabled children and their families

4.31 Local authorities are required to provide for families short breaks from caring for disabled children to support them to sustain their caring role. The types of short breaks include: day care, overnight stays, weekend stays, occasional longer stays, befriending, and leisure and social activities. In 2019/20 there is an overspend due to a 15% increase being made to carers and young people. For 2020/21 investment of £80k is required to provide sufficient budget to meet current and presenting needs.

Summary

4.32 The proposals above would lead an increased budget of £9.888m. This is a total Children's and Education Services budget of £130.320m broken down as follows:

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000
Children's Safeguarding	124,537	109,477
Education*	334,998	16,383
Directorate Core and Back Office	4,564	4,460
Total	464,099	130,320

*Education gross budget includes the Dedicated Schools Grant (excluding Academy Schools)

5. Capital Strategy / Programme

5.1 The capital programme for Children's and Education Services totals £127.8m over the period 2019/20 - 2023/24. This includes basic need grant funding for the creation of new school places, maintenance grant for the upkeep of school buildings, and other schemes including the use of grant funding on schools providing provision for students with SEND.

5.2 A summary of the current forecast budget is shown in the table below, and details of the individual projects will be found in the Capital Strategy and Budget report for Executive in February:

Capital Programme from 2019/20

	2019/20 £m's	2020/21 £m's	2021/22 £m's	2022/23 £m's	Future Years £m's	Total £m's
Basic Need	3.9	20.8	26.7	43.4	0.0	**94.8**
School Maintenance	4.5	3.6	3.0	0.0	0.0	**11.1**
Other	16.8	5.1	0.0	0.0	0.0	**21.9**
Total	**25.2**	**29.5**	**29.7**	**43.4**	**0.0**	**127.8**

5.3 During the 2019/20 financial year work has continued in providing school places to meet the demand within Manchester. The programme to increase provision for students with SEND has progressed with a construction partner appointed for works at four sites across Manchester. The maintenance programme of work that was planned for summer 2019 is nearing completion, with the 2020/21 programme being drafted.

5.4 The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive will provide information on the expected future investment requirements for the Council, including the challenge of providing sufficient school places across primary and secondary education alongside the Government's Free School Programme, and undertaking condition surveys across the entire educational estate, including children's centres, to strengthen decision making around the focus of maintenance works.

6. Impact on Workforce

6.1 The framework for how the Council supports its workforce is set out in the People Strategy. This is currently being updated and the revised version will form part of the suite of budget reports. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the agreed priorities, budget and workforce implications agreed last year. The proposals in this report include: investments into front line social work services by remodelling the operating model to ensure there is sufficient capacity to meet demands, a recruitment and retention strategy aimed at recruiting and retaining experienced and highly skilled social workers, and to provide additional capacity for commissioning and market management; all of which are important to successfully delivering the Children and Education Services Directorate budget strategy.

6.2 The Our Manchester strategy and approach is underpinned by strengths based working, building trusting relationship and innovative working; which is embedded across Children's and Education Services through an asset based approach to engaging with children and families; the approach starts from the point of "what matters to you" instead of "what is the matter with you" which truly embraces the Our Manchester way of working. This way of working has been embedded into early help assessments, education health and care plans and is a key part of the sign of safety social work model used across locality social work.

6.3 The workforce implications for Children's and Education Services represent a continuation and improvement of existing priorities as expressed in the workforce strategy; which is to achieve a stable, skilled and confident workforce through a culture of success, strengths-based approach and strong and effective leadership which will be achieved through:

- The continuing development and implementation of the Children's improvement plan

- Implementation of the Children's Locality Model programme
- Developing strong and effective leaders and managers; enabling them to create high performing and motivated team
- Ensuring professionals that work with children and young people have manageable workloads
- Continue to reduce the reliance on interim and agency workers
- Recruitment and retention strategy

7. Impact on Residents, Communities and Customers

7.1 Children's and Education Services deliver core business in line with the Council's strategic equality objectives in particular improving Life Chances; where there are specific needs identified these are informed by an individual assessment that gives due regard to their race, culture, gender, sexual orientation and disability.

7.2 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

8. Conclusion

8.1 The budget strategy provides information on the work ongoing within the Directorate to achieve longer term financial sustainability in the longer term by investing in early help and prevention, working with partners to deliver interventions that deliver longer term achieve better outcomes.

8.2 The proposed revenue budget for 2020/21 sets out the budget proposals as part of the preparation of the Council's budget. It is a one year budget which recognises that the Children and Education Services budget is under significant pressure due to increased complexity and need.

8.3 Final budget proposals will be made to the Executive in February 2020.

Appendix 1

1. Revenue Financial Plan

Table showing an overall summary of financial position

Subjective Heading	2019-2020 Budget £'000	2020-2021 Indicative Budget £'000
Expenditure:		
Employees	**61,160**	**61,160**
Running Expenses	**392,999**	**402,887**
Capital Financing Costs	**0**	**0**
Contribution to reserves	**52**	**52**
Total Subjective Expenditure	**454,211**	**464,099**
Less:		
Other Internal sales	**0**	**0**
Gross Expenditure	**454,211**	**464,099**
Income:		
Government Grants	**326,195**	**326,195**
Contributions from Reserves	**1,594**	**1,594**
Other Grants Reimbursements and Contributions	**4,763**	**4,763**
Customer and Client Receipts	**1,175**	**1,175**
Other Income	**52**	**52**
Total Net Budget	**120,432**	**130,320**

Manchester City Council
Report for Information

Report to: Health Scrutiny Committee – 4 February 2020
Executive – 12 February 2020

Subject: Adult Social Care and Population Health Budget 2020/21

Report of: Executive Director of Adult Social Care

Summary

The proposed 2020/21 budget for Adult Social Care and Population Health (ASC & PH) as part of the Manchester Health and Care Commissioning (MHCC) pooled budget was reported to Health Scrutiny in January 2020. This report provides the final budget proposals following the contents of the provisional Local Government Settlement received late December 2019 and feedback from public consultation and scrutiny committees during January 2020.

A change to the proposed budget is an increase to the ASC & PH cashlimit budget of £0.550m to reflect the increase to the national living wage from 1st April 2020 from the estimated £8.66 per hour to a confirmed rate of £8.72 per hour.

The MHCC health and care provisional budget for 2020/21 was provided to January Health Scrutiny as Annex 1 of the 2020/21 Adult Social Care and Population Health budget report. The budget will be finalised during February to reflect funding for the NHS Long Term Plan targeted and fair share allocations to Clinical Commissioning Groups to be announced as part of the operational plan guidance in late January 2020. A final Pooled budget report will be provided to Health Scrutiny in line with the final NHS planning guidance.

The approach to developing the Manchester Local Care Organisation (MLCO) Operational Plan was provided to January Health Scrutiny as Annex 2 of the 2020/21 Adult Social Care and Population Health budget report.

The Operational Plan is currently being developed across the service teams in MLCO and with key partners across the system. It will outline the key priorities and programmes that MLCO will deliver, how that will be measured and reported during 2020/21. The final MLCO Operational plan will be published in March 2020 following agreement through the MLCO Partnership Board and it will take account of any changes as a result of the publication of the health allocations for 2020/21, which at the time of writing have not been published. Therefore, the MLCO Operational Plan Annex has been removed.

This report summarises the final budget proposals made to determine the Council's contribution to the MHCC pooled budget for 2020/21 for approval by the Executive in February 2020 ahead of the Council's budget meeting in March 2020. This includes continuation of the Better Care Fund grants which include the £2.667m ASC Winter Pressures grant and the £4.555m Social Care grant announced in December 2018.

The additional Social Care grant funding (£1billion nationally), proposed 2% ASC Council Tax Precept and additional funding for Public Health in 2020/21

In aggregate the proposals reflect additional investment for Adult Social Care and Population Health of £23.3m to sustain services at the same levels as 2019/20, support the statutory functions of the Council, deliver the Corporate priorities and to continue to support the integration of health and social care to improve outcomes for citizens. This would bring the total 2020/21 budget for ASC and Population Health to £221.3m and the contribution to the MHCC Pooled Budget from the City Council to £216.9m.

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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 City 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	Aligns to inclusive growth priority by supporting more residents to become independent and resilient, and better connected to the assets and networks in places and communities.

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 forms part of the preparation of the Council's draft revenue and capital budget for 2020/21 and revenue contribution to the Manchester Health and Care Commissioning Pooled Budget for Adult Social Care for approval by the Executive in February 2020.

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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.

Manchester Health and Care Commissioning - Adult Social Care Business Plan 2019/20, Executive 13th February 2019

Adult Social Care and Population Health Budget 2020/21, Health Scrutiny 7th January 2020

1. Introduction and background

1.1 A key priority of the Our Manchester Strategy is to radically improve health and care outcomes in the city. Manchester has some of the poorest health outcomes in the country, and there are very significant health inequalities within the city.

1.2 The Locality Plan, ‘Our Healthier Manchester’, represents the first five years of ambitious, transformational change needed to deliver this vision. The Locality Plan is fully aligned with the Our Manchester approach. This will mean supporting more residents to become independent and resilient, and better connected to the assets and networks in places and communities. Services will be reformed so that they are built around citizens and communities, rather than organisational silos. The Locality Plan is aligned to the Council's Corporate Plan priority - 'Healthy, Cared for People'.

1.3 Manchester Health and Care Commissioning (MHCC), a partnership between Manchester City Council and Manchester Clinical Commissioning Group, was formed as the single commissioner for health, public health and adult social care in April 2017. MHCC has operated a single pooled budget, planning, delivery and assurance process since April 2018. This has overseen all of MHCC’s commissioning responsibilities and includes single pooled budget arrangements.

1.4 It is now moving into the second phase of its development, focusing on its role as a strategic commissioner, working with key system delivery partners: MLCO as an integrated provider of out of hospital care; MFT; federated models of primary care and more latterly Primary Care Networks; and Greater Manchester Mental Health Foundation Trust (GMMH) as the mental health provider for the City.

1.5 For 2020/21 the business and budget plan for Adult Social Care and Population Health will be part of the MHCC Plan which reflects the refreshed Manchester Locality Plan and is supported by the Manchester Local Care Organisation (MLCO) Operational Plan for 2020/21. Summary draft reports are provided for Health Scrutiny Committee for information and comment. Whilst the Council determines the scale of its contribution into the pooled budget, to reflect the partnership arrangements in place with partners, this has been developed with the Chief Finance Officer MHCC and the Director of Finance MLCO.

1.6 This paper describes the arrangements that are in place to deliver on these ambitions and improve outcomes for our residents. This includes the proposed resources that are required to ensure that the work to improve adult social care services can continue, as part of the delivery of new models of care and the development of the Integrated Neighbourhood Teams.

1.7 Ultimately, the proposed investment and the plans associated with that investment will ensure continuation of the important work to support our most vulnerable residents. From the perspective of Adult Social Care in particular this will be both through delivering our statutory duties safely and effectively, and through working effectively with the wider care market to ensure a sustainable local offer is in place.

1.8 The proposed 2020/21 budget for Adult Social Care and Population Health (ASC & PH) as part of the Manchester Health and Care Commissioning (MHCC) pooled budget was reported to Health Scrutiny in January 2020. This report provides the final budget proposals following the contents of the provisional Local Government Settlement received late December 2019 and feedback from public consultation and scrutiny committees during January 2020.

1.10 A change to the proposed budget is an increase to the ASC & PH cashlimit budget of £0.550m to reflect the increase to the national living wage from 1st April 2020 from the estimated £8.66 per hour and confirmed rate of £8.72 per hour. Further detail is provided at para 3.10.

1.11 The MHCC health and care provisional budget for 2020/21 was provided to January Health Scrutiny as Annex 1 of the 2020/21 Adult Social Care and Population Health budget report. The budget will be finalised during February to reflect funding for the NHS Long Term Plan targeted and fair share allocations to Clinical Commissioning Groups to be announced as part of the operational plan guidance in late January 2020. Annex 1 details a provisional pooled budget for 2020/21 totalling £1.230 billion. A final Pooled budget report will be provided to Health Scrutiny in line with the final NHS planning guidance.

1.12 The approach to developing the Manchester Local Care Organisation (MLCO) Operational Plan was provided to January Health Scrutiny as Annex 2 of the 2020/21 Adult Social Care and Population Health budget report. The Operational plan is currently being developed across the service teams in MLCO and with key partners across the system. It will outline the key priorities and programmes that MLCO will deliver, how that will be measured and reported during 2020/21. The final MLCO Operational plan will be published in March 2020 following agreement through the MLCO Partnership Board and it will take account of any changes as a result of the publication of the health allocations for 2020/21, which at the time of writing have not been published. Therefore, the MLCO Operational Plan Annex has been removed.

1.13 The proposals in this report will seek approval from Council's Executive in February 2020 to:

- Continue the permanent improvement plan and system resilience funding agreed by the Executive in February 2019 which includes further £1.366m for 2020/21 (para 3.5);
- Make permanent further £1.210m resilience funding for ASC following confirmation of the ASC Winter Pressures grant for 10.3582020/21 (para 3.8);
- Allocate further investment for pay and prices, National Living Wage and increased need of £10.358m (paras 3.10 / 3.11);

- Approve further funding proposals following the Spending Round to sustain services at the same levels as 2019/20 and new investment for Extra Care schemes and Population Health priorities in 2020/21 (paras 3.13 - 3.26):
  - Additional social care grant allocation of £7m
  - Estimated additional Public Health grant funding of £1.363m
  - Consultation on 2% Adult Social Care precept estimated to generate additional £3.259m of resources
- Contribute a non-recurrent £1m towards MLCO overheads from Adult Social Care reserve in 2020/21.

1.14 For 2020/21 the majority of the ASC and PH budget within the remit of the MHCC Pooled Budget will be managed by MLCO and will form part of its integrated budget and business plan. MLCO will work closely with MHCC to ensure continued alignment to delivery of the Manchester Locality Plan and MHCC Operational Plan priorities

1.15 This report is supplemented by Annex 1 – Draft MHCC Budget Report 2020/21 for the MHCC Pooled Budget including MHCC Operational Plan on Page and Refreshed Manchester Locality Plan

2. Budget priorities

2.1 The Adult Social Care and Population Health budget priorities relate to the Corporate Plan priority theme of 'Healthy, Cared for People'. This is to work with partners to enable people to be healthy and well and support those who need it most, working with them to improve their lives:

- Support Mancunians to be healthy, well and safe
- Improve health and reduce demand by integrating neighbourhood teams, that are connected to other services and assets locally, delivering new models of care
- Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless

2.2 The Council's work to ensure our people are healthy and cared for is primarily delivered through MHCC and MLCO. Population Health services form part of MHCC, whilst the delivery and commissioning of adult social care services is managed by MLCO. Adult social care services play a key role in Integrated Neighbourhood Teams (INTs) and are part of the delivery of new models of care (NCMs).

2.3 Manchester's Adult Social Care Improvement Programme is driving significant change and longer term sustainability through investment in workforce, a shift of focus to 'our people in place' via the mobilisation of INTs and transformation to new ways of working underpinned by 'our culture' and the Our Manchester strategy. Significant investment has been made within the programme to deliver safe, effective and sustainable services that take a 'strengths based' approach to assessment and care and support planning. Mobilised INTs are beginning to realise tangible outcomes relating to joint visits with improved communication between health and social care (i.e. district nurses, social workers, GPs, care navigators, community mental health teams), streamlined referral processes and multi-agency meetings.

2.4 The programme will also transform how services are delivered at our ‘Front Door’ by supporting integrated responses, access to a wider range of system informatics and linking our people to innovation in care and support through a mainstreamed Technology Enabled Care offer.

2.5 The Homecare market has been re-procured and is being mobilised to integrate at place level with INTs and to better collaborate in care and support to enable better outcomes. Investment has been made in new and existing care models for example, the expansion of the Reablement Service to reach more people and to better support timely hospital discharge pressures alongside the development of a new Complex Reablement Service to support people who require a specialised, longer term approach to enablement. Plans around housing support options continue to mature with new capacity of Extra Care accommodation from 2020/21. These housing options create longer term sustainable responses to care and support, reduce pressures and cost in the system and improve personal choice and independence.

2.6 The Care Market is a vital component of the Adult Social Care system supporting Manchester to meet statutory responsibilities and supporting mancunians to live as independently as possible. Focussed work during 2020/21 will evaluate our current and future needs and the capacity, quality and sustainability of our independent care market. There is potentially a need for capital investment to allow market intervention, enabling a response should market failure occur to ensure continuity of service. This may be short-term in nature, but could be of vital importance to limit the impact of such market issues on residents. Linked to collaboration work with partners, investment may also be needed to build capacity, and in particular creating capacity for specific care needs to ensure that there is appropriate provision for vulnerable residents. This may require new build facilities, or the acquisition of existing buildings which can be tailored to care models.

2.7 The 2020/21 budget plan reflects that progress is being made to implement integrated health and social care that improves outcomes for residents. The new ways of working in the INTs are starting to deliver changes and the new care models are starting to demonstrate improvements in outcomes and reductions in demand for acute or long term care. The budget proposals reflect the need for investment to stabilise and sustain the service and continue the investment to support the integration of health and care.

2.8 The framework for how the Council supports its workforce is set out in the People Strategy. This is currently being updated and the revised version will form part of the suite of budget reports. Building on the budget plan for 2019/20, the proposals in this report have put in place further funding to enable greater permanent capacity to support system resilience and integration as a result of the improvement plan, new models of care and the number of additional posts being created.

3. 2020/21 Budget Proposals

3.1 The Adult Social Care net budget in 2019/20 is £197.907m of which £193.6m is in the scope of the MHCC Pooled Budget. Table 1 below provides a breakdown of how the budget is allocated both within and outside of the Pooled Budget.

Table 1: 2019/20 Base budget

Adult Social Care and Population Health Service Area	2019/20 Net (Original) Budget £'000	2019/20 Gross (Revised) Budget £'000	2019/20 Net (Revised) Budget £'000	2019/20 Budgeted Posts (FTE) £'000
Localities including social work	6,343	10,938	7,979	313.1
Reablement	4,688	8,742	4,820	269.2
Learning Disability including social work	51,994	62,696	56,551	530.8
Mental Health including social work	23,463	25,853	23,650	7.0
Other Care – Homecare, Res & Nursing	41,176	66,470	42,737	101.5
Public Health	37,400	39,633	37,452	47.4
Commissioning	9,421	10,405	9,808	39.2
Back Office	10,609	10,515	5,078	106.5
Inflation & National Living Wage	8,514	8,172	5,172	0.0
Demography	0	356	356	0.0
MHCC Pooled Budget	**193,608**	**243,780**	**193,604**	**1,414.7**
Asylum	57	2,911	57	6.0
Voluntary & Community Sector (Adults)	2,261	2,080	2,080	0.0
Safeguarding	2,337	2,166	2,166	46.5
ASC Services Out of Scope	**4,655**	**7,157**	**4,303**	**52.5**
Total	**198,263**	**250,937**	**197,907**	**1,467.2**

3.2 The Adult Social Care net budget has reduced by £356k between the original net budget approved by the Executive in February 2019 of £198.263m and the current budget of £197.907m. This relates mainly to two budget transfers out of ASC totalling £335k as follows:

- £279k winter pressures allocation to Homelessness; and
- £56k in relation to transfer of a post from ASC

3.3 There has also been changes to individual budget lines in relation to in-year allocations of funding from within the approved budget. This includes Winter Pressures grant funding of £3.2m and demographic growth funding of £2.4m which were held within the Back Office budget line in the original budget. The use of the Winter Pressures grant was agreed with partners during 2019/20 and reported to the Health and Wellbeing Board on 31st October as part of the report on the use of the Better Care Fund. The application of demographic growth funding is reported as part of the Global Revenue Monitoring reports to the Executive. Funding for the National Living Wage and inflation was also held on separate budget line in the original budget and has been allocated in year in line with the fee uplifts to care providers. There remains £3.8m inflation which will be allocated and where appropriate back-dated to care providers before the end of 2019/20.

3.4 The 2020/21 proposed ASC budget, the majority of which will be the contribution to the MHCC pooled budget, reflects a continuation of the 2019/20 net budget of **£197.907m.** This includes continuation of existing Social Care Grants of £35m, including improved Better Care Fund (iBCF), additional iBCF, ASC Winter Pressures grant and share of 2019/20 Social Care grant.

Adult Social Care Improvement Plan

3.5 The 2020/21 proposed pooled budget contribution includes continuation of the investment for the ASC Improvement Programme agreed by the Executive in February 2019. This has enabled the recruitment to c50 FTE additional posts. For 2020/21 the ASC improvement investment has increased by an additional **£1.366m** to reflect the full year effect of the programme. This also included funding of £490k for nine social work managers for the INTs funded from GMTF in 2019/20 and 2020/21 with future funding to be reflected within the new INT structures.

3.6 The key deliverables for the ASC Improvement Programme in 2020/21 include:

- Full recruitment of social work and other workforce capacity provided as part of the investment;
- Assessment and support planning standards embedded with a significant reduction in waiting lists and return to business as usual;
- Liquid Logic phase one fully implemented;
- Full implementation of Strengths-Based Development Programme and quality assurance framework;
- Full mobilisation of Integrated Neighbourhood Teams including realisation of benefits of integration;
- Roll-out of all new Homecare contracts;
- Full mobilisation of all new care models with assessment of scope for further expansion for schemes such as technology enabled care and extra care accommodation;
- Progressing a detailed programme on the integration of Learning Disability Services;
- Procurement completed for priority contracts;

- Market demand and capacity assessment to support the development of a sufficiency and stabilisation plan.

System resilience to support transfers of care

3.7 The 2020/21 budget reflects continuation of the £2.667m ASC Winter Pressures grant. For 2019/20 the Executive approved £1.456m of funding from the grant on a permanent basis which provided funding for 35 fte additional posts. In addition, funding of £0.7m was provided by the CCG to make permanent 18 fte social workers posts specifically for social work capacity in hospitals. The £1.456m was part of a wider permanent investment of £4.225m for adult social care to support improvement and resilience.

3.8 In 2019/20 the balance of the ASC Winter Pressures grant of £1.210m was made available for non-recurrent workforce and other schemes, the use of which was reported to Health and Wellbeing Board in October 2019. The budget proposals for 2020/21 includes permanent commitment to the £1.210m which will be used to:

- Continue with the expansion of the Complex Reablement service (14 ftes);
- Provide additional capacity for assessments of people leaving the Reablement service (6 ftes);
- Provide greater capacity in Manchester Supported Independent Living service for supporting people with complex needs (5 ftes) and
- Provide winter planning and urgent care capacity for mental health (8.6 ftes).

3.9 The Executive Director of Adult Social Care is the MLCO executive lead for the safe and effective discharge of people from hospital. The CCG, Manchester Foundation Trust and MCC have each agreed £0.5m towards the cost of an Integrated Discharge Team to relieve system pressures resulting from delayed transfers of care. For MCC this is being funded from an increase in 2019/20 of the CCG contribution to the Better Care Fund for ASC of £896k, with £396k being applied to support the expansion of Extra Care schemes in 2020/21.

Demographic and inflationary increases

3.10 The ASC proposed cashlimit budget includes an allocation for pay and price inflation of **£8.343m**. To allocate as part of the upfront budget is a different approach to the other Directorate cashlimit budgets, which reflects the pooled budget arrangements with Health. This allocation is made up of:

- £1.530m - pay award for ASC staff employed by MCC of just over 3%. This reflects Council budget assumptions to be in line with potential increase to £10.50 by 2024/25 using Local Government pay scale, subject to confirmation on timing by Government.
- £4.400m increase to reflect National Living Wage assumptions for ASC for external providers, this has increased by £550k since the report in January to reflect the confirmation of the living wage being £8.72 per hour from 1st

April 2020. To uplift NLW to reflect a move to £10.50 by 2024/25 would be a further cost of £275k in 2020/21.
- £2.413m price inflation uplift to support contract uplifts including the capacity to support a move towards the Real Living Wage in the care market in the longer term.

3.11 In order to set a sustainable budget for Adult Social Care resources are required to meet an assessment of prediction of future increase in needs based on population modelling. There is **£2.015m** projected for increased need during 2020/21 which will be included in the pooled budget to be allocated during the year.

3.12 It is proposed that for 2020/21 there will no longer be a requirement by MLCO to revert back to MCC for decisions on draw down of pay and price inflation and demographic growth shown. The additional funding must be used as intended to reflect a change to the budget baselines for unit prices and activity levels (to be provided separately). Proposed changes to the planned use of this funding will need to be reported to MLCO Partnership Board, which has representation from all key partners, to be agreed along with identifying whether any more formal approvals are required in line with the Council's key decision thresholds.

Outcome of Spending Round

3.13 Following the Spending Round the 2020/21 budget reflects further proposals to increase the ASC budget by **£11.6m** which includes:
- Share of the additional social care grant announced as part of the Spending Round of £7m
- Additional 2% Adult Social Care precept estimated to generate additional £3.259m of resources
- Estimated additional Public Health funding of £1.363m

3.14 The following paragraphs set out the proposed use of the additional resources of which £8.8m is to sustain services at the same levels as 2019/20 and £2.8m is new investment for Extra Care schemes and Population Health priorities.

New Care Models

3.15 MLCO has developed a number of new care models (NCMs) focused on preventing admission to acute settings, improving support for hospital discharge, providing improved community based support and supporting prevention and independence. Time limited investment funding has been made available from the Greater Manchester Transformation Fund (GMTF), adult social care grants and MHCC investment resources. NCMs are fundamental to the system based approach to enable the benefits to be realised and shared across the wider health and care system.

3.16 There is emerging evidence of reduced demand in high cost services, evaluations to date have shown:

- Manchester Case Management (previously known as High Impact Primary Care) has shown, through a quantitative analysis of hospital activity, a statistically significant reduction in Accident and Emergency attendances post service start
- Reablement has shown that for the cohort of people who have had Reablement service during 2018/19 financial year and went on to have a home care package after leaving Reablement had, on average, 26% fewer homecare visits and 22% fewer homecare hours during the 6 months post reablement
- ExtraCare has shown that neighbourhood apartments have likely necessitated upto 1,200 fewer days of residential / nursing care to the wider health and care system

3.17 For 2020/21 the schemes remain as planned but the delivery of benefits have changed to reflect phasing and mobilisation of models during 2019/20. This has resulted in original planned savings from new care models reducing by **£1.925m** (42%). This would result in savings being delivered in 2020/21 of £500k in respect of Reablement.

3.18 Investment is required for the ongoing costs of neighbourhood apartments and to expand the Extra Care programme to deliver an additional four schemes in 2020/21. This is £132k for 20 neighbourhood apartments and £1.232m for the care costs for 223 new Extra Care apartments. Of this £396k will be funded from 2019/20 additional BCF (para 3.9), £200k from GMTF and **£767k** required as new investment.

3.19 Non-recurrent resource ends in 2020/21 for the ongoing costs of Core and Complex Reablement of £0.8m. It is proposed this will be funded from the estimated Additional Better Care Fund contribution towards from the CCG for 2020/21. The budget also includes continued funding for the Council to meet ongoing cost of existing new care models Discharge to Assess of £0.706m and Crisis Response of £88k which the CCG have committed to fund in 2020/21.

3.20 Funding for NHS long term planning priorities and commitments for 2020 - 2025 have not yet been allocated by NHS England to Greater Manchester or CCGs. Once this is confirmed there is a need to review impact and evidence from evaluation of all NCMs and determine longer term costs and benefits. This will need to be reflected in the medium term financial planning assumptions for the Manchester Locality Plan and risk share arrangements between partners for 2020-2025.

Integration of Learning Disability Services

3.21 Adults with Learning Disabilities (LD) are now more likely to enjoy longer, better quality lives. This is positive progress but the pressure on local authority and health services has increased in terms of support based on a combination of increasing demand, a growing and ageing population with greater complexity of conditions and the cost implications of national living wage. In order to meet increased need and complexity of citizens with LD, additional budget of £5.034m is needed in the following areas of ASC LD services. Of this **£4.545m** from Council and estimated £489k from CCG for additional Continuing Healthcare needs:

- The most significant area of increased need is for the in-house Learning Disability Supported Accommodation (LDSA) budget in relation to the workforce requirements to meet the needs of people being supported by the service. Whilst the c140 people supported by the service is relatively static, their needs are increasing with age and it has been determined that there is an additional resource requirement of £3,450m. The service has taken action to put in place a dedicated team of social workers to assess needs and develop improved rota management practice. The CCG has committed to assess the impact of people meeting the continuing health care eligibility, where it is estimated that £0.5m of the rising costs are care relate to this which would reduce the additional resource requirement to ***£2.950m***.

- The transitional costs of moving residents from LDSA to new build accommodation between October 2019 and July 2020 will be met from the Adult Social Care reserve with any ongoing additional costs to be met from within the service budget.

- Care for people with Learning Disabilities which is externally commissioned has increased by 41 people (3.5%) during this year for which 2019/20 demographic growth funding has been applied of £1.416m. Further increases in the cost of care have also arisen from greater complexity of need of ***£685k***.

- The Shared Lives service has expanded in 2019/20 following recruitment of additional adult carers. This service delivers better outcomes and is more cost effective than external placements. Whilst it was expected that the cost of this could be met from a reduction in demand for other LD services, this has not been possible due to rising numbers of people requiring support and ***£360k*** of funding is required for the Shared Lives service.

- The in-house service which provides short breaks support for people with LD and their families is also experiencing increased need with additional resource requirements of ***£550k***.

3.22 One of the key priorities for MLCO in 2020/21 will be the integration of Learning Disabilities. To inform the medium term financial plan this will include:

- Understanding need and provision requirements over a medium term period and reflecting this in a system based commissioning strategy with a much stronger approach to market management at a Locality and GM level;
- Fully implementing a strength based approach into LD arrangements;
- Integration arrangements between health and social care including the locality arrangements in respect of citizens under the arrangements for the NHS Transforming Care Programme;

- Striking the right balance between in-house provision within MLCO and commissioned provision; and
- Ensuring successful schemes within Shared Lives continue to grow.

Population Health

3.23 The Spending Round in September indicated a real terms increase to the Public Health Grant to ensure local authorities can continue to provide prevention and public health interventions. It has been estimated that the public health grant will be 'flat real' increase of £1.363m in line with inflation. It is expected that the cost of the Agenda for Change uplift met by Department of Health in 2019/20 (funded directly to NHS providers) and new burdens for drug costs relating to Pre-exposure prophylaxis (PrEP) HIV trial will be met separately by the NHS.

3.24 The Population Health services were all redesigned and recommissioned in 2014/15. The redesigned services have delivered better outcomes and real value for money and Manchester is no longer an outlier in relation to spend per head on these services. The Population Health budget has not overspent in any of the past five years and for 2019/20 is projected to breakeven. However during 2019/20 providers have highlighted pressures in delivering the services contracted within the current contract price. The proposed budget for 2020/21 includes additional budget of **£2.005m** as follows:

- Sexual Health services increased capacity for tests, screening and appointments;
- Drug and Alcohol services relating to homelessness outreach, Youth Justice service engagement, dispensing costs and detox capacity;
- Children's Population Health increased capacity for school nursing and child weight management programme to reflect increase in number of schools. The funding for a further ten funding trainee Health Visitor places in addition to the places provided by Health Education England;
- Continuation of the Population Health partial contribution towards the Adverse Childhood Experience programme;
- Inflationary uplift on NHS and non-NHS contracts.

Other budget requirements

3.25 There are other budget proposals to provide a sustainable budget relating to the following areas of the ASC service within the pooled budget which total **£1.830m**:

- The number of people requiring mental health services remains fairly consistent but it has not been possible to achieve expected reductions following a recent focus on reviews of care packages. This is due to new demand for care and the need for available suitable provision for changes in care. As such there is a requirement for additional budget of ***£330k***.
- Homecare savings of ***£377k*** (50%) are not yet delivered due to the revised timescales to implement the move to the new homecare contracts, including recommissioning of some contracts which means savings for 2020/21 are at risk.

- Shortfall on a savings target of ***£500k*** relating to expected contract related efficiencies which it has not been possible to realise following re-commissioning.
- Strengths based support planning for other Adult Social Care savings of ***£198k*** (40%) are not yet delivered. The changes to practice and training are now being rolled out but there is likely delay in full implementation in 2020/21.
- The cost of the community alarms service is £950k. When people are unable to contribute towards the cost of the monitoring and response service, the cost to the Council cannot be reduced to reflect this. There is a shortfall of income to cover the cost of the service by ***£150k***
- To provide an uplift for NLW for external providers to reflect a move to £10.50 by 2024/25 would be a further cost of ***£275k*** in 2020/21.

Manchester Local Care Organisation

3.26 Continuation in 2020/21 of programme management transformation capacity to support MLCO of ***£0.550m***. It is also proposed that continued non-recurrent funding will be made available in 2020/21 of up to £1m towards the overhead costs of MLCO from the remaining balance within Adult Social Care reserve

Summary

3.27 The proposals above would lead to an increased ASC budget requirement of £11.6m which together with pay and price inflation of £8.343m, demographic funding of £2.015m and full year effect of ASC Improvement investment of £1.366m would bring the proposed increase to the ASC and Population Budget in 2020/21 to £23.3m. This is a total ASC and Population Health budget of £221.3m of which £216.9m is part of the MHCC Pooled Budget broken down as follows:

Table 2: 2020/21 proposed changes and revised budget

Service Area	2019/20 Net Budget £'000	Investment and other changes £'000	2020/21 Net Budget £'000
Localities	7,979	1,585	**9,564**
Reablement	4,820	480	**5,299**
Learning Disability	56,551	4,060	**60,611**
Mental Health	23,650	677	**24,327**
Other Care	42,737	3,535	**46,271**
Public Health	37,452	2,205	**39,656**
Commissioning	9,808	1,499	**11,307**
Back Office	5,078	-1,325	**3,753**

Inflation & National Living Wage	5,172	8,530	**13,702**
Demography	356	2,015	**2,371**
Pooled Budget	**193,604**	**23,261**	**216,864**
Asylum	57	0	**57**
Voluntary & Community Sector (Adults)	2,080	42	**2,122**
Safeguarding	2,166	43	**2,209**
Other ASC	**4,303**	**85**	**4,389**
Total	**197,907**	**23,346**	**221,253**

4. Governance of the MHCC Pooled Budget

4.1 The partnership agreement between the CCG and the Council is supported through a section 75 partnership arrangement (S75), an established Integrated Care Budget (ICB) including the pooled budget and with an underpinning financial framework to support the financial governance arrangements. Manchester CCG host the ICB and the MHCC Chief Finance Officer is the pooled fund manager with specific responsibilities as set down in the Financial Framework including: monitoring of expenditure; audit of accounts; maintaining a risk register; submitting appropriate reports to MHCC Board and in relation to the Better Care Fund and Greater Manchester Transformation Fund.

4.2 There are responsibilities under the Partnership Agreement and Financial Framework for the MHCC Board to monitor the budget and deliver a balanced position. The MHCC Finance Committee provides an assurance role on behalf of the MHCC Board and City Council. This allows Lay Members for the CCG and Council Executive Members to review the overall financial position, delivery of savings plans as well as systems of internal control. However, both the CCG and Council are still responsible for their own financial position within the pool, the arrangements are designed to give flexibility for partners to ensure total resources are available to support priorities.

4.3 Whilst the statutory duties of the Council’s Deputy Chief Executive & City Treasurer, under Section 151 of the Local Government Act 1972, remain, as do the decision making responsibilities for Council statutory functions and financial delegation that are with the Executive Director of Adult Social Services and DASS, these will be exercised via line of accountability from the pooled fund manager. Arrangements are intended to allow as much flexibility as possible to support partnership decision making and maximise use of resources across the pool. As such, the Deputy City Treasurer has a key Council assurance role on MHCC Finance Committee, the Deputy Chief Executive & City Treasurer on MLCO Board and through the DASS role on both MLCO and MHCC Boards. Key decisions which are not in the delegated authority of Council officers, will continue to require the approval of the Council’s Executive.

4.4 For 2020/21 the majority of the ASC and PH budget within the remit of the MHCC Pooled Budget will be managed by MLCO and will form part of its integrated budget and business plan. The MLCO Executive and in particular, the Director of Finance therefore has an enhanced responsibility for the overall budget and requirement to provide significant additional support to the Executive Director of Adult Social Services and Director of Population Health and Wellbeing.

5. Conclusion

5.1 This report provides the proposed Council contribution to the MHCC Pooled Budget in respect of Adult Social Care and Population Health for 2020/21 of £221.3m, of which £216.9m is within the MHCC Pooled Budget. This provides additional investment of £23.3m to sustain services at the same levels as 2019/20 to support the statutory functions of the Council, deliver the Corporate priorities and to continue to support the integration of health and social to improve outcomes for citizens.

5.2 The proposals reflect that 2020/21 is a one year budget reflecting the commitments made in the Spending Round, reflecting that the Fair Funding review and Business Rates reform and reset has been delayed to 2021/22. Whilst the Council is publishing a one year budget in line with the one year Spending Review there is a need to plan for a three year position. The indicative planning assumptions for 2021/22 and 2022/23 are contained within the single health and care budget reports.

6. Recommendations

6.1 The recommendations appear at the front of this report.

Manchester Health & Care Commissioning
A partnership between Manchester City Council and NHS Manchester CCG

MANCHESTER CITY COUNCIL

NHS Manchester Clinical Commissioning Group

Annex 1 **Manchester Health and Care Commissioning**

Budget Report 2020/21

1.0 Introduction

1.1 This paper is presented to update on the draft joint financial plan for the pooled budget of MHCC, comprising both Health and Adult Social Care and Population Health (PH) budgets. The proposed Council contribution to the MHCC pooled budget for ASC and PH budget in 2020/21 is £216.9m, which includes proposed additional resources of £23.3m to sustain services at current levels and provide investment for four new Extra Care Population Health scheme priorities.

1.2 The paper includes respective organisational assumptions and provides an over-view of the pooled budget.

1.3 The numbers represent draft planning assumptions at this stage as the total allocations / funding settlements for both organisations are outstanding at the time of writing this paper. Further information and more detailed health planning guidance is expected during December 2019, the impact of which will be assessed and incorporated into final budgets and contracts during January to March 2020.

1.4 The Council's budget proposals for 2020/21 will be subject to further refinement following feedback from public consultation and scrutiny committees. The figures may be subject to change following the contents of the provisional Local Government Finance Settlement.

1.5 It was agreed that MHCC would take a refreshed joint budget position to the Health Scrutiny Committee in January and February 2020, to incrementally take account of Members' feedback and ongoing contract negotiations to inform the normal suite of Council budget papers in March.

1.6 The health planning assumptions for health budgets originate from the month 5 financial position, with ASC based on the month 7 position.

1.7 This paper reflects the agreements made in the Manchester Partnership agreement and the Manchester Investment Agreement and supports the delivery of the Manchester Locality Agreement.

1.8 The paper reflects the significant additional financial contributions made by Manchester City Council and the Health System to Adult Social Care which mean that a solid foundation of services is being delivered which enable transformation and integration of care and health services in the City for the future.

1.9 These suite of papers have been produced by planning and finance staff working across the Partnership in collaboration, and to tight timetables given the lack of national guidance and their significant contribution is recognised.

2.0 MHCC Plan On a Page

2.1 Both the Plan on a Page (attached in Appendix A) and the full Operational Plan are being revised within 2020/21 to reflect the shift of MHCC into a strategic commissioner, exemplified by the time span moving from one to five years. The strategic aims and priorities are consistent with the Locality Plan (attached in Appendix B) and the MHCC Operational Plan, with a change in emphasis to describe the impacts on our population over the next five years.

2.2 The MHCC programmes through which delivery will be focused in 2020/21 are shown, including the 'catalyst' programmes, which will significantly transform the relevant part of the health and care system in the long term.

2.3 The operational planning process is currently in progress, with the final plan to take account of the planning guidance for 2020/21 and subject to the funding associated with the NHS Long Term Plan. The guidance from NHS England is due to be published in late December / early January.

2.4 Work has been ongoing over the past months with the Director of Adult Social Care, Chief Finance Officer MHCC and the Director of Finance MLCO with regard to the development of the operational plan for ASC and the associated budget. This has taken regard of the budget setting principles issued by the MCC Treasurer. An update on the development of the MLCO Operational Plan 2020/21 and a summary financial plan for the MLCO in 2020/21 is attached as Appendix C. This document provides context for the MLCO, describes the overarching priorities for the organisation in 2020/21, the process to develop and a proposed structure for the Operating Plan, along with a summary financial plan for the MLCO.

3.0 Health - High Level Assumptions

3.1 High level health five year financial plans were submitted to the Greater Manchester (GM) Health & Social Care Partnership (GMHSCP) in November 2019. All health bodies will be unable to formally publish any financial plans pending receipt of further national and GM guidance, expected from December 2019. The five year plans will likely require a refresh, and will eventually form part of the revised Manchester Locality Plan to 2023/24.

3.2 Health allocations reflect the five year allocations published in January 2019. Within these, three years are confirmed allocations, with the last two years (2022/23 and 2023/24) indicative.

3.3 The allocations exclude the financial impact of the Long Term Plan Implementation guidance, which will be funded through Targeted and Fair Shares funding; the values of which have been shared nationally, but not at an individual CCG level.

3.4 Table 1 highlights the level of recurrent allocation growth between 2019/20 and 2020/21.

Table 1: Allocation Growth

Allocation	2019/20 £000s	2020/21 £000s	Recurrent Increase £000s
Programme	863,762	904,555	40,793
Primary Medical	94,150	98,655	4,505
Running Costs	12,275	10,829	(1,446)
Recurrent Allocation	970,187	1,014,039	43,852
Non Recurrent	30,257		
Total Allocations	1,000,444	1,014,039	43,852

*** 2019/20 allocation is the total allocation at Month 5 included for completeness*

3.5 In terms of expenditure, the health budgets use forecast expenditure as reported to NHSE at Month Five (31 August), which is adjusted for non-recurrent allocations, expenditure and benefits. This gives a recurrent opening budgetary position for 2020/21.

3.6 A number of growth assumptions have been applied to the recurrent 2019/20 expenditure position in line with national guidance and local knowledge. Some specific examples are outlined below for illustrative purposes :

- national price increases (inflation);
- national requirement i.e. Clinical Negligence Scheme (insurance contributions); and
- recurrent local pressures i.e. primary care list size growth, activity growth, prescribing

The detailed expenditure growth assumptions applied per each key budget area is included in Appendix D.

3.7 Table 2 summarises the application of the additional allocation based on planning assumptions either defined nationally within the planning guidance or agreed with local providers as part of the five year plan submission to NHS England. These include the ring-fenced allocation growth for mental health services (Mental Health Investment Standard) and primary care etc.

Table 2: Application of Growth

	2020/21 £000s
Allocation Growth	43,852
Utilised on:	
Planning Assumptions Gross Provider Efficiency	(6,623)
Inflation	22,032
Net Tariff	15,409
Cost Pressures	
Acute	5,060
Mental Health	4,372
Community	2,216
Primary Care	4,505
Reserves	12,290
Total Funding	**43,852**

3.8 The required 'NHS Business Rules' have been reflected in the plan, which are to:

- Maintain a 1% historic surplus (i.e. 1% of allocations remain unspent in each of the five years);
- Maintain a 0.5% contingency; and
- Ensure that investment in mental health services is equivalent to investment in physical health, which means that expenditure increases in line with or above allocation growth (i.e. 6.1% for 2020/21 and reducing over the 5 year period).

3.9 In order to deliver a balanced financial plan, Health will need to deliver £15m of Financial Sustainability Plans in 2020/21. These plans are currently in development but include prescribing savings and transformational savings from the new care models.

4.0 High Level Adult Social Care Assumptions

4.1 The Council budget proposals will be reported to the Council's Executive Committee for approval in February 2020, in order to set a budget by early March, on which the Council Tax will be based. The Council's budget proposals or 2020/21 will be subject to further refinement following feedback from public consultation and scrutiny committees. The figures may be subject to change following the contents of the provisional Local Government Financial Settlement, which has been delayed from 5th December as a result of the decision to call a General Election.

4.2 The proposals reflect that 2020/21 is a one year budget reflecting the commitments made in the Spending Round, reflecting that the Fair Funding review and Business Rates reform and reset has been delayed to 2021/22.

Whilst it is a one year budget, there is a need to plan for a three year position and planning assumptions for 2021/22 and 2022/23 are contained within the MLCO Operational Plan (Annex C).

4.3 The plan for ASC is to sustain current services with a focus on stabilisation and improvement, ensuring a strong foundation for the service moving forward, which will enable wider integration and transformation. The ASC pooled budget reflects the following proposals to the Council' Executive to:

- Continue the permanent improvement plan and system resilience funding agreed by the Executive in February 2019, which includes £1.366m for 2020/21;
- Make permanent a further £1.210m resilience funding for ASC following confirmation of the ASC Winter Pressures grant for 2020/21;
- Allocate further investment for pay and prices, National Living Wage and increased need of £10.272m;
- Approve further funding proposals following the Spending Round to sustain services at the same levels as 2019/20 and the new investment for Extra Care schemes and Population Health priorities in 2020/21
  - Additional social care grant allocation of £7m
  - Estimated additional Public Health grant funding of £1.363m
  - Consultation on 2% Adult Social Care precept, estimated to generate additional £3.259m of resources
- Contribute a non-recurrent £1m towards MLCO overheads from Adult Social Care reserve in 2020/21

4.4 The proposed Council pooled budget contribution for ASC and PH is £216.9m, of which £204.9m will be aligned to the MLCO Community Health and Care budget. The source and applications for the ASC and PH element of the pooled budget is included in Table 3, which provides information on proposed additional resources into the pool.

Table 3: Adult Social Care and Population Health Source & Application of Funds 2020/21.

	MLCO Aligned Budget	MHCC Retained Budget	2020/21 Proposed Pool Budget
	£000	£000	£000
Source of Funds			
Base Budget	178,507	15,097	193,603
Inflation (Pay, Price, National Living Wage)	8,108	149	8,257
Demography	2,015		2,015
ASC Improvement Plan	1,366		1,366
Share of additional social care grant	6,300	700	7,000
Estimated additional Public Health Funding	1,363		1,363
2% Adult Social Care Precept (subject to consultation)	3,259		3,259
Total Cash limit Funds	**200,918**	**15,946**	**216,863**
ASC Reserve: MLCO Corporate Costs	1,000		1,000
MCCG: Better Care Fund - ASC Contribution	1,696		1,696
MCCG: funding for New Care Models	794		794
MCCG: Additional CHC Contribution	489		489
Total Funds	**204,897**	**15,946**	**220,842**
Application of Funds			
Base Budget 2019/20	178,507	15,097	193,603
Inflation (Pay, Price, National Living Wage) 2020/21	8,108	149	8,257
Demography 2020/21	2,015		2,015
ASC Improvement Plan increase for 2020/21	1,366		1,366
System Resilience	500		500
MLCO corporate costs contribution	1,000		1,000
New Care Models : Reduction in savings	1,925		1,925
New Care Models : Crisis, Reablement & D2A	1,594		1,594
Extra Care Expansion	1,163		1,163
Learning Disabilities	5,034		5,034
Population Health	2,004		2,005
Other Budget Requirements	1,681	700	2,380
Total Application	**204,897**	**15,946**	**220,842**

4.6 The MHCC plan for ASC and PH, as part of the pooled budget proposed, includes the following:

- Inflationary increase of **£8.257m** relating to pay award, price inflation and national living wage assumptions;
- Estimated **£2.015m** for increased need during 2020/21;
- **£1.366m** Full year effect of the ASC improvement plan;
- New investment to sustain services at current levels, including:
    - ASC one third share of System Resilience capacity agreed in 2019/20 of **£0.5m;**
    - New Care Models:
        - Reablement schemes of **£0.8m**;
        - Crisis and Discharge to Assess **£0.794m**; and
        - Rephased New Care Model savings **£1.925m.**
- Continued non-recurrent funding will be made available in 2020/21 of up to **£1m** towards the overhead costs of MLCO from the remaining balance within Adult Social Care reserve.

- Neighbourhood apartments and expansion of the Extra Care programme to deliver an additional four schemes in 2020/21. This provides 20 neighbourhood apartments and 223 new Extra Care apartments, with a cost of **£1.163m**. This will be funded by £0.4m from 2019/20 additional BCF funding and £0.8m required as new investment.
- Learning disabilities of **£5.034m**, which relate to:
  - In house supported accommodation budget in relation to the workforce requirement to meet the needs of people being supported of £2.95m plus £0.5m, which is estimated to be continuing healthcare;
  - £0.7m for care for people which is externally commissioned due to a greater complexity of need;
  - £0.4m shared lives service; and
  - £0.55m for increased need for short breaks support for people and families.
- Population Health priorities of **£2.005m** for inflation and activity increases across the services provided, including sexual health services, drug and alcohol services, increased capacity for school nursing and children's weight management, contributions to adverse childhood experience programme and inflationary uplift;
- There are other budget proposals totalling **£1.830m** to provide a sustainable budget relating to the following areas of the ASC service within the pooled budget:
  - £0.3m mental health care package changes;
  - £0.4m homecare savings are at risk of delivery due to revised timescales to implement new homecare contracts;
  - £0.5m savings target shortfall on expected contract related efficiencies;
  - £0.2m strengths based support planning for ASC savings delay in implementation;
  - £0.1m community alarms income shortfall due to individuals who are unable to contribute;
  - £0.3m to provide an uplift for National Living Wage for external providers to reflect a move to £10.50 by 2024/25.
- Continuation in 2020/21 of programme management transformation capacity to support the MCLO of **£0.550m**

5.0 Draft MHCC Income and Expenditure Summary

5.1 A high level draft 2020/21 income and expenditure summary for the pooled budget is shown below in table four. This summary excludes the other ASC services not included within the pool (Asylum, Voluntary & Community Sector – adults and Safeguarding).

Table Four: MHCC Draft Income and Expenditure Summary

	Health £000s	ASC £000s	Total £000s
Programme	904,555		**904,555**
Delegated Primary Care	98,655		**98,655**
Running Costs	10,829		**10,829**
Pooled Budget		216,863	**216,313**
Total Income	**1,014,039**	**216,314**	**1,230,353**
Expenditure	**£000s**	**£000s**	**£000s**
Acute	485,609		485,609
Adult Social Care	23,902	46,270	70,172
Commissioning (homelessness commissioned services, extra care, sheltered housing and other commissioning)		11,307	11,307
Localities inc social work		9,564	9,564
Reablement		5,299	5,299
Mental Health	130,146	24,327	154,473
Community	77,926		77,926
Learning Disabilities	6,716	60,611	67,327
Continuing Health care	37,206		37,206
Primary Care	205,715		205,715
Other Programme	25,001		25,001
Public Health		39,656	39,656
Running Costs / Back Office	10,829	3,753	14,582
Reserves **	10,989	16,076	26,515
Total Pooled Expenditure Budget	**1,014,039**	**216,863**	**1,230,353**
In Year Position	**0**	**0**	**0**

*** The reserves number includes business rules for Health (0.5% contingency, GM Strategic Levy and Payment by Results Risk Reserve. ASC reserves include demography, inflation and national living wage*

6.0 Risks and Issues

6.1 The financial plan is draft and does not include allocations associated with the Long Term Plan guidance. It also applies a set of agreed planning assumptions to areas of expenditure i.e. Acute, which have been agreed with providers. These have been based on projected activity levels which need to be reviewed in light of the delivery of New Care Models, winter growth and in year pressures. It has been highlighted that these are planning assumptions and do not set a precedent for the contracting round, which will no doubt produce a different set of numbers than the ones referenced within this report.

6.2 Although work has been undertaken with partners to align income / expenditure assumptions, there is still a financial risk that plans may not be aligned. These will be agreed as the planning round progresses, with final agreements being reflected in subsequent financial updates.

6.3 The MHCC financial plan is balanced as it assumes that the precept funding of £3.2m is agreed, if this is not the case, then plans will need to be revised to reflect any reduced funding envelope.

6.4 The financial impact of GM led 5 Year Forward View and Long Term plan schemes needs to be understood and the impact on the financial position of MHCC assessed i.e. Children's and Young People service investments etc.

6.5 The development of the MLCO is seen as one of the major drivers for MHCC to achieve financial sustainability over the planning timeframe, with the longer term strategy to move funding into primary and community services and keep patients out of hospital based services.

6.6 Beyond 2020/21 the local authority still faces considerable risks, particularly with the funding formula and business rate reforms. Therefore, whilst the published budget will only be for one year the local authority will have a draft three year strategy, which will include all parts of the Council having to identify areas for potential savings.

6.7 NHS England requires all health systems to prepare five year plans, and a draft plan was submitted in November. Until further guidance is produced in December / January with regard to allocations, MHCC are unable to produce longer term plans.

6.8 In order to close the financial gap over the planning timeframe, there are a number of work programmes / financial sustainability programmes in development which include:

- Continue to build foundations of 'getting the basics' right through the ASC improvement plan and managing demand effectively;
- Look to continue mobilisation, 'right size' and optimise care models;
- Develop MLCO integrated commissioning programme – phase 2 services;

- Building strong relationships with primary care networks through working in neighbourhoods;
- A clear focus on prevention with a strong focus on population health and asset based approaches; and
- Ensure system resilience through a strong interface with acute services and enhanced community provision.

7.0 Conclusion

7.1 Although the MHCC plan is a balanced financial plan, it is a challenging plan.

7.2 Currently the plan is based on assumptions, with operational guidance for health and local authorities due to be published in December / January. The contracting round will take place from January to March, which although assumptions were agreed with providers for the 5 year planning submission, it has been confirmed that these assumptions do not set a precedent for final contract negotiations for 2020/21.

7.3 There are significant work programmes underway based on new care models, and savings programmes / financial sustainability programmes to ensure a robust financial plan for 2020/21 and beyond.

7.4 MLCO has significant operational challenges which need to be addressed during 2020/21 and the support of all partners will be critical to this.

7.5 The Manchester Agreement describes the approach the system will take to identifying, managing and delivering the performance, benefits and evaluation aspects of the transformational system change.

Appendix A: MHCC Plan on a Page

Manchester Health & Care Commissioning

MHCC Plan on a Page: 2020-2025

MANCHESTER CITY COUNCIL NHS

Our Strategic Aims:

1. Improve the health & wellbeing of people in Manchester
2. Strengthen social determinants of health & promote healthy lifestyles
3. Ensure services are safe, equitable & of a high standard with less variation
4. Enable people & communities to be active partners in their health & wellbeing
5. Achieve a Sustainable system

Our strategic priorities are…	As a result of delivering these priorities, we will…
Preventing & tackling health inequalities	Reduce the gap in health and wellbeing outcomes for people across the city. Improve children's outcomes in their first 1000 days of life. Support people with health problems to be in work. Enable people to be confident in managing their own health and care. Enable people in mid to later life to live longer in good health. Reduce the number of people dying from preventable causes.
Transforming Community-based care	Have better co-ordinated services for people in their neighbourhoods that are responsive to their needs. Support people to live independently with a strengths-based approach across health and social care. Have safe and effective community-based care that supports people with the right care, in the right place at the right time to have a better quality life. Enable people to have more choice and control in how they interact with health and care professionals through the use of new technologies. Have consistently high quality health and care services across the city.
Transforming Hospital-based care	Have consistently high standards in hospital based care. Have shorter waiting times for outpatients, diagnostics and treatment. Have co-ordinated acute services that meet both the physical and mental health needs of people.
Transforming the health and care system	Have a redeveloped North Manchester General Hospital site, improving health services for the population it serves and regenerating the area. Improve outcomes for people through integrated Primary Care, Community Care and Mental Health services in neighbourhoods. Have developed and improved our services for children and young people to maximise their life chances. Have a financially sustainable health and care system, which targets resources on the basis of population need.

The programmes through which our priorities will be delivered in 2020/21 are…

- Adult Social Care Improvement
- Cancer
- Children's
- **Community-based care ***
- **Digital Access***
- **Learning Disability & Autism ***
- Long Term Conditions
- Mental Health
- Outpatients
- Primary Care
- Population Health
- **System Leadership (North Manchester regeneration)***
- Urgent Care

***our catalyst programmes for 2020-2021**

Appendix B: Locality Plan

CONTENTS

STRATEGIC SUMMARY

OUR HEALTHIER MANCHESTER

The original Locality Plan: Our Healthier Manchester, produced in 2016, set out the ambition to improve health and care outcomes for the people of Manchester within a financially sustainable health and social care system. The initial focus led to a rationalisation of the Manchester system, through the creation of a single commissioning function (SCF), a single hospital service (SHS), and a local care organisation (LCO).

The updated Locality Plan (April 2018), set within the context of the city's Our Manchester strategy, shifted the emphasis away from structural change to a focus on Our People, Our Services and Our Outcomes.

This Locality Plan Refresh (November 2019) has been produced within the context of a maturing health and social care system, and in response to both the Greater Manchester Health and Social Care Partnership's (GMHSCP) Prospectus (March 2019) and the requirements of the NHS Long Term Plan. The GMHSCP Prospectus takes stock of the first three years of Taking Charge Together and sets out the future direction for the Partnership. It does so in the context of the development of key Greater Manchester strategies, including the Greater Manchester Unified Model of Public Services and the Local Industrial Strategy – underpinned by the Greater Manchester Independent Prosperity Review.

We recognise, however, that there is still much to do. Manchester continues to face significant challenges in respect of the health and wellbeing outcomes experienced by its residents. It was ranked as the 6th most deprived Local Authority in England in the 2019 Index of Multiple Deprivation [1], which takes into account factors such as income, housing, education and employment, all of which contribute to people's health and wellbeing. Our Healthier Manchester aims to improve health outcomes for the people of Manchester by delivering new models of care and working with people and communities in a more integrated and strengths-based way, reducing health inequalities, supporting people to stay well and enabling them to better manage health conditions. In time, this will reduce the demand for urgent and unplanned care; but our system is not yet experiencing the impact of these changes and the pressure on urgent care remains high. Furthermore, we are operating in the context of a growing and changing population in Manchester. The population is forecast to grow by approximately 16% over the next decade, which is the equivalent of 94,240 people. This presents opportunities for the city, but also some challenges in how we plan for the health and care needs of this expanding population.

In addition, our ability to deliver this place based, person-centred approach is being compromised by significant recruitment challenges related to national skills shortages for key roles such as nurses, therapists, GPs, social workers and hospital-based medical staff. This is a key priority for our Locality Workforce Transformation Group, ensuring that we can attract and retain health and social care staff to Manchester and enable them to move around our system easily so that we have people with the right skills in the right place at the right time.

We are making progress despite these challenges and this refreshed Locality Plan will showcase what has been achieved over the last three years. This includes restructuring the organisational landscape to provide a more cohesive platform for change and the implementation of new care models that are improving people's lives and their health and care outcomes.

This Plan reaffirms our ambition to create a population health system that puts health at the heart of every policy, across the full spectrum of public services, improving health and care outcomes for the people of Manchester, whilst ensuring financial sustainability.

[1] To allow comparison between the 317 English local authorities, the deprivation scores of each small area (LSOA) in a district are averaged and then the districts are ranked based on these averages. Manchester ranks as the 6th most deprived local authority on the index of multiple deprivation.

VISION FOR POPULATION HEALTH

OUR HEALTHIER MANCHESTER

The Manchester Population Health Plan (2018 – 2027) reflects the Marmot principles, with a place based approach to tackling health inequalities. The five priorities in the plan cover the whole life course and address the social determinants of health:

- Improving outcomes in the first 1,000 days of a child's life
- Strengthening the positive impact of work on health
- Supporting people, households, and communities to be socially connected and make changes that matter to them
- Creating an age-friendly city that promotes good health and wellbeing for people in mid and later life
- Taking action on preventable early deaths.

Whilst our population health challenges remain considerable, we have demonstrated improvements in outcomes for health related behaviours, with smoking prevalence down from 22% to 17.8%, alcohol related hospital admissions falling steadily over the past five years and more residents physically active than ever before. These improvements will contribute to fewer deaths from the big killers such as heart disease and stroke, cancer and lung disease. What is also encouraging is the progress we are making on key wider determinants such as educational attainment, with significant improvements in GCSE and A level results in 2019 and the success of our anchor institutions in recruiting more local residents to entry level jobs.

Our population health system for Manchester will be redesigned in line with the Bringing Services Together for People in Places Programme, which is part of the delivery architecture for the city's Our Manchester strategy. The Local Care Organisation will coordinate delivery at the neighbourhood level.

Infant mortality rates, childhood obesity levels and premature deaths from preventable conditions remain stubbornly high in some of our neighbourhoods and a new approach is needed. We have shown how place based population health can succeed with our long term programme on Teenage Pregnancy (62% reduction in the under 18 conception rate over the past twenty years) and more recently our work on Adverse Childhood Experiences in Harpurhey, which will be rolled out to other areas in 2020.

Manchester has recognised the direct relationship between climate change and health outcomes, with carbon-based activities in Manchester contributing to poor air quality, which in turn exacerbates respiratory problems. Given the poor health of many Manchester residents, there is a real risk that failure to tackle climate change will widen health inequalities and limit the progress of prevention programmes in the city. Consequently, on 10th July 2019 Manchester City Council declared a climate emergency. In response, all public sector partners represented on the Manchester Health and Wellbeing Board have agreed to develop Sustainable Development Management Plans (SDMPs) and Climate Change Action Plans by March 2020. These plans will be informed by the latest thinking and analysis contained in Manchester's Zero Carbon Framework (2020-2038) and the Manchester Public Health Annual Report 2018 on Air Quality.

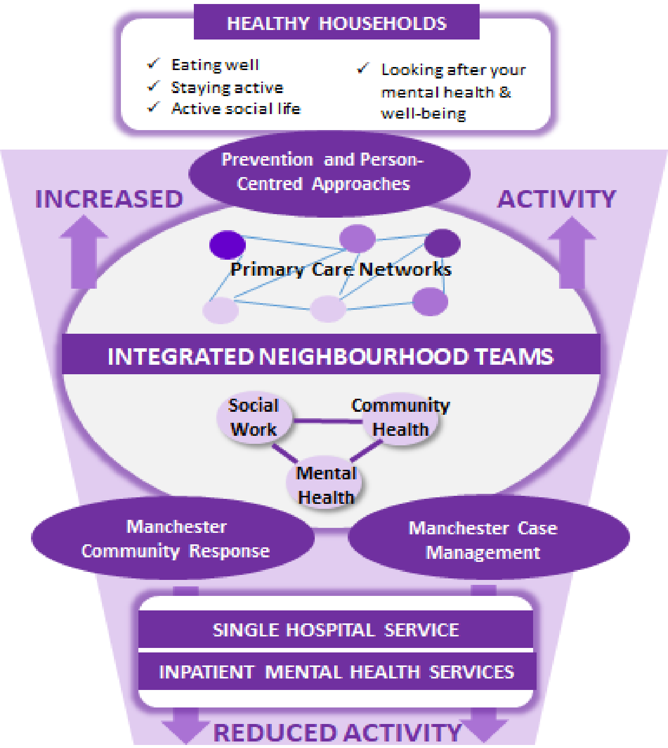
We know that benefits of the economic success of the city have not been felt equally by all residents. However, we are determined that variations in health and variations in income between different parts of Manchester and between Manchester and the rest of the country are reduced. This accords with the aims of our Family Poverty Strategy.

Finally, we want the people of the city to have more control of their health and wellbeing and build on their strengths. We want to maximise the opportunities for our public services, the voluntary sector, and communities to come together to transform our population health outcomes through the Our Manchester approach.

DELIVERING THE LOCALITY PLAN - SYSTEM OVERVIEW

OUR HEALTHIER MANCHESTER

Manchester has developed an integrated model of neighbourhood working that interfaces with a single hospital service, strategically led by a single commissioner. This new system architecture is contributing to the achievement of the five strategic aims of the Locality Plan. Manchester tracks progress on a larger set of indicators than those identified below in its Locality Plan Outcomes Framework.



STRATEGIC AIMS	KEY INTENDED OUTCOMES	NOTABLE PROGRESS
Improve the health and wellbeing of people in Manchester	➢ Narrow the life expectancy gap between the city's residents ➢ Improved health & well-being – social care quality of life ➢ Reduction in preventable deaths (all causes).	An increase in new cases of cancer diagnosed at stage 1 or 2.
Strengthen the social determinants of health and promote healthy lifestyles	➢ Reduction in smoking prevalence to 15% or lower by 2021 ➢ Increase in the number of children who are school ready ➢ Reduction in residents who are out of work due to an underlying health condition/disability.	A sustained decease in smoking prevalence.
Ensure services are safe, equitable and of a high standard with less variation	➢ All providers have a CQC rating of good or above ➢ All national and local quality standards are met.	An upward trend in CQC good or above rated Nursing and Care Homes.
Enable people and communities to be active partners in their health and wellbeing	➢ Increase the level of knowledge and confidence that people have in managing their own health.	An increase in uptake of Personal Health Budgets.
Achieve a sustainable system	➢ Achievement of financial balance across the system ➢ Achievement of constitutional and statutory targets ➢ Developing a sustainable workforce.	A sustained reduction in avoidable prescribing.

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Item 5g

SYSTEM TRANSFORMATION - ACHIEVEMENTS

OUR HEALTHIER MANCHESTER

The 2018 update to the Locality Plan identified three new priority themes (Our Services, Our People, Our Outcomes), with the intention of shifting the focus on from institutional change ('the three pillars') to encompass a wider ambition for systemic change. Three development phases were identified: Foundation (2017/18), Performing (2019/20) and Mature (2021/22) with a view to achieving the visions outlined in the three boxes below by 2026/27. This page identifies a selection of achievements to date against the three priority themes.

OUR SERVICES

10 year vision: Establishment of an integrated health and social care system

- ✓ **12 Integrated Neighbourhood Teams (INTs)** established, integrating the delivery of health and social care.
- ✓ **Manchester Community Response** (crisis response and discharge to assess) services mobilised to support system resilience and flow.
- ✓ **Manchester Case Management Service** (GP intensivist model) mobilised to better support community-based care.
- ✓ Alignment of the newly formed **Community Mental Health Teams** to the 12 neighbourhoods, and introduction of 24/7 Home Based Treatment options as an alternative to hospital.
- ✓ **Mental Health Liaison in Acute Hospitals** - Implemented Phase 1 of the GM Transformation Programme establishing Core 24 compliant Liaison Mental Health Service at MRI.
- ✓ **Primary Care leadership** across the MLCO service delivery mobilised and strategy emerging to align the Primary Care Networks (PCN) to neighbourhood and locality service delivery.
- ✓ **MLCO has developed a range of strategic partnerships** with key stakeholders including Housing, MCRActive and Health Innovation Manchester, and has signed an MOU with the VCSE.
- ✓ **Lithotripsy** treatment is now offered to patients **3 days per week** (up from 0.5 days) and patients are treated within **4 weeks.**
- ✓ **Orthopaedic Services –** Improving Neck of Femur services through a dedicated seven day hip fracture unit.
- ✓ **Cardiac Services –** a seven day pacemaker service has been introduced across the Trust meaning patients can be provided with an implant within 24 hours of admission.
- ✓ **Seven day working** for **Cardiac** physiologists at both Wythenshawe and MRI.
- ✓ **Gynaecology Waiting Times –** Patient waits for urgent gynaecology surgery have been reduced from 4 to 2.5 days.

OUR PEOPLE

10 year vision: Gap closed in preventable mortality between the most and least deprived areas of the city

- ✓ **Our Healthier Manchester** campaign saw 1,107 conversations take place with residents ***(see next slide for more information).***
- ✓ A £1.5m investment agreed **to improve and extend a carers' advice & support service,** working in collaboration with the Manchester Carers' Network.
- ✓ **Population health driven service model** development and delivery in MLCO; neighbourhood building blocks mobilised.
- ✓ MHCC is **improving access to health and care for marginalised groups** through the development of locally commissioned services for asylum seekers and refugees in half of GP practices, alongside activity designed to improve the health of homeless people.
- ✓ **VCSE investments**: £2.1m grant fund to support the delivery of the Population Health Plan.
- ✓ **Community Engagement:** GMMH launched the Manchester Wellbeing Fund in 2017 investing £1.5m over three years to support community projects across the 12 neighbourhoods in Manchester. 194 projects supported, with a focus on creative arts, mental health awareness, social connectivity, peer support, horticulture and healthy eating, and physical activity.
- ✓ A **new Homecare specification** has been developed, focusing on wider community support and helping people to stay independent and living at home for longer.
- ✓ **Research and Innovation** – Over 19,000 patients took part in clinical research in 2018/19.
- ✓ **Employee Assistance Programme** introduced across all hospital sites and now available to over **20,000** staff.
- ✓ **Education** – Over **20,000** MFT staff and students now have extended access to books, online journals and study areas through cross site library and education services.

OUR OUTCOMES

10 year vision: Achievement of the health & social care system contribution the city's Our Manchester strategy.

- ✓ Manchester's **evaluation programme** has identified statistically significant reductions in A&E attendance, homecare use and residential and nursing care use in target cohorts following the introduction of new care models.
- ✓ MHCC has established a partnership with the Manchester Growth Company, resulting **in 54 positions being offered** to people who had been classed as long-term unemployed.
- ✓ **Improving Access to Psychological Therapies** (IAPT) - referral rates increased by over 25% with significant improvement in the timeliness of access for clients entering services.
- ✓ **Provision of a dedicated Section 136 suite** - Opened a purpose built Section 136 suite which has since delivered 354 mental health assessments, diverting service users from A&E and saving 2090 hours of police time in the first twelve months of operation.
- ✓ Reducing **Out of Area Placements** for Adult Acute Patients – more people treated closer to home, over achieving the target of 33% reduction for 2018/19
- ✓ **Refurbished community sites** delivered to support integrated working at a neighbourhood level, with supporting IT and networks installed.
- ✓ Full business case developed with six partner organisations to build a new purpose built, **health and care hub in Gorton.**
- ✓ **The Manchester Digital Board** has been established to better coordinate investment into, and the delivery of technology enabled care.
- ✓ Contribution to **system financial sustainability** through mobilisation of transformation-funded new care models and cost improvement and savings plans; demonstrated by the over delivery on crisis response business case measures and metrics.

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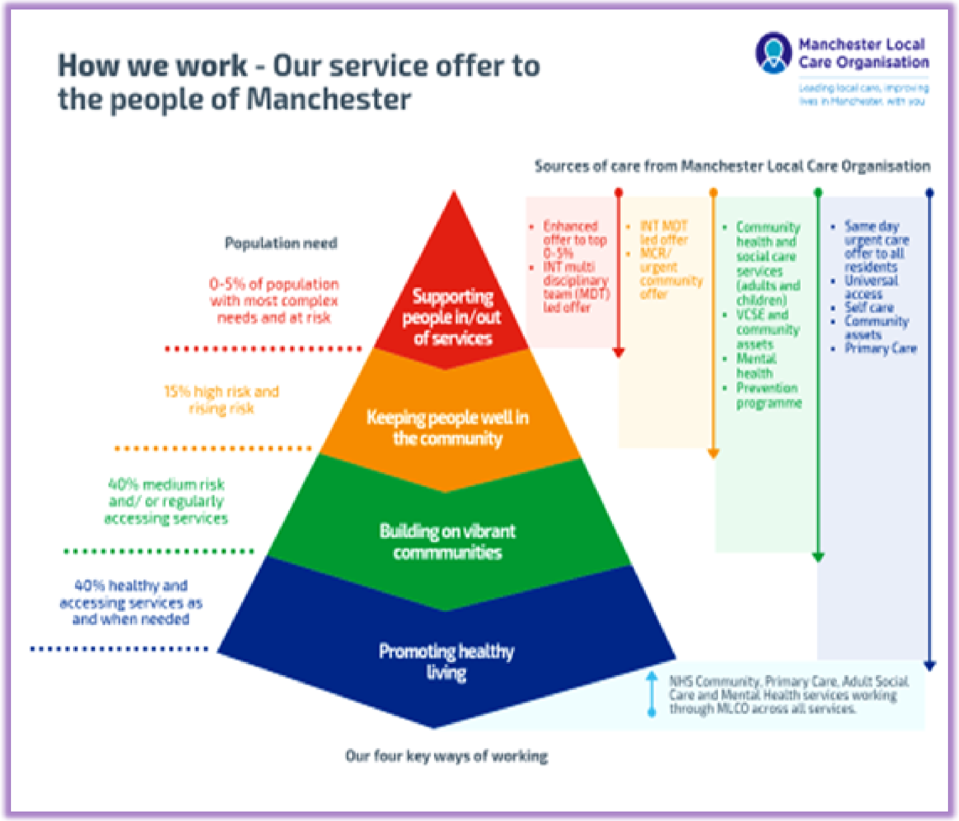
MANCHESTER'S SYSTEM ARCHITECTURE - MLCO

OUR HEALTHIER MANCHESTER



Manchester's Local Care Organisation (MLCO) delivers integrated community services to all residents of Manchester of all ages. The model ensures full population coverage through:

- **Risk stratification**: our model identifies those residents who are in the key priority cohorts and we are working as part of a system-wide group to develop a consistent approach to risk stratification.
- **Aligned data and intelligence**: partners across the city are working together to ensure we share our data and intelligence to support our service planning and delivery.
- **Neighbourhood Partnerships and plans**: enabled the development of 12 integrated health & social care neighbourhood plans documenting the consistent actions in all neighbourhoods and the key actions in each place to address specific inequalities, through the alignment of the data and intelligence across Manchester. In 2020/21 they will be aligned to council wards and Primary Care Network plans and support the understanding of our joined up approach in the place.
- **Locality (North, Central, South) Partnerships and Ops Boards**: support coordination of activity across neighbourhoods to ensure full population coverage and those communities that would identify wider than neighbourhoods.

The overarching **MLCO priorities for 2019-2022** are:

- **A population health driven approach** to service planning and delivery; supporting prevention programmes to improve the health of the people of Manchester.
- **Consolidating and strengthening our neighbourhood approach**; supporting our 12 Integrated Neighbourhood Teams (INTs) to make an impact on their communities.
- **Mobilising primary care leadership at the heart of the MLCO**; formalising the governance between primary care and MLCO to ensure joint working with the new Primary Care Networks.
- **Playing a lead role in system resilience**; helping people get the right care in the right place with a community first ethos.
- **Increasing the scope of MLCO** as an integrated health and care organisation; delivering public service reform in the place.

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OBJECTIVE
Creation of a single hospital service

Manchester University NHS Foundation Trust (MFT) INTEGRATION PROGRAMME

- Following the creation of Manchester University NHS Foundation Trust in October 2017, the new Trust embarked on a programme to develop a **Clinical Services Strategy**. This programme took approximately 15 months and commenced in April 2018. Over a series of around 40 workshops the process engaged over 700 clinicians from a number of different specialties. The Strategy was developed at two levels, firstly a Group or Trust level framework and secondly at specialty or combined specialty level.

- Working within the parameters of the agreed organisational vision, the intention is to generate alignment between three key areas of our activities – clinical service delivery, research and innovation and workforce development. The five pillars set out in the Trust level clinical service strategy (below) are intended to set the overall direction of travel for our services whilst recognising the importance of aligning with our research and workforce development aspirations

- The Strategy also identified four key areas of focus as the organisation moves forward;
    - Cancer surgical services
    - Cardiac services
    - Lung services
    - Genomics.

- Having developed this overarching framework a programme was initiated to develop individual clinical service strategies. This covered all aspects of the current service portfolio and was undertaken in a series of 'waves'. As a result a number of clinical strategies have been developed which are intended to set an overall direction of travel for a particular clinical area. MFT is actively working with local and regional commissioners on this next stage of the programme.

North Manchester General Hospital (NMGH) SITE DEVELOPMENT

- The Strategic Case for the acquisition of NMGH was submitted in March 2019. Due Diligence processes have identified that there is a very significant investment requirement, and negotiations continue between NHSE/I, MFT and Salford Royal Foundation Trust (SRFT).

- Over summer 2019, a variety of partner organisations in Manchester worked together to develop a more ambitious vision of what could be achieved if the NMGH site could be redeveloped. Proposals are set out in the NMGH Proposition document, ***The Future of the North Manchester General Hospital site: a healthcare-led approach to civic regeneration***. This seeks to improve the provision of health and care services on the site and to develop a broader integrated care offer which brings together acute, mental health, primary, community services, and education and training facilities with wider public services and community activities.

- The proposition identifies the need to optimise the impact of NMGH as an anchor institution in its local community and aims to deliver a health-led infrastructure project on the site which will act as a catalyst for wider regeneration. The strategy will contribute to improvements in wider determinants of health and wellbeing, such as employment and housing, and create a focal point for the community which goes beyond health and care services. This work forms part of a broader public sector reform and regeneration agenda for the north of the city and will link with existing developments and those planned for the future such as the Northern Gateway.

- Delivering the NMGH strategy will rely on significant capital investment. Securing this is a priority. £72m funding for the rebuild of Park House (Mental Health services) has been announced and the delivery of the rebuild forms part of the whole-site strategy. The NMGH site more broadly has been included in the national Health Infrastructure Plan, with seed funding to be made available to work up more detailed plans for the site redevelopment. The site proposition includes a hospital rebuild and the development of a health and wellbeing centre and education and learning centre. Partners will work at pace to develop the detailed proposals which will be required to draw down the capital investment, alongside undertaking further work on the plans for regeneration, public sector reform and service transformation.

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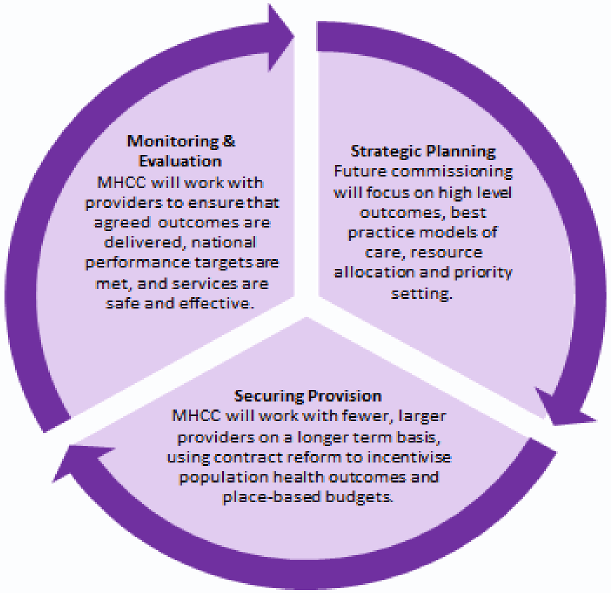
Commissioning in Manchester – An Evolving Approach

Manchester Health & Care Commissioning (MHCC), a partnership between Manchester City Council and Manchester Clinical Commissioning Group, was formed as the single commissioner for health, public health and adult social care in April 2017. It is now moving into the second phase of its development, focusing on its role as a strategic commissioner, working with key system delivery partners: MLCO as an integrated provider of out of hospital care; MFT; federated models of primary care and more latterly Primary Care Networks; and Greater Manchester Mental Health FT (GMMH) as the mental health provider for the City.



What this means for providers

This will enable MHCC to focus on longer term objective setting and system-level transformation programmes, enabling providers to manage and deliver more comprehensive and seamless care pathways for patients/service users, through the integration of direct provision and sub-contracted services . This provides a greater opportunity to join up care, take a more proactive approach and transform the system in order to improve outcomes.

As MHCC develops as a more strategic commissioner, a number of functions, and associated resources, will shift to providers, including service design, demand and capacity planning and the subcontracting of services that complement direct provision, along with associated safety and quality assurances.

The most profound change will be in the MLCO, as this increasing scope will complement their delivery at a neighbourhood level with the commissioning of care packages and VCSE grants, for example, in a locally targeted way.

Commissioner and provider relationship

Rather than a retention of the 'commissioner/provider split', the Manchester system will direct all of its available resources to improving health and care outcomes, in accordance with the Our Healthier Manchester strategy. **As a strategic commissioner, MHCC will ensure the full involvement of providers, the public and other stakeholders in planning future provision.**

Our relationship with the Greater Manchester Health & Social Care Partnership (GMHSCP)

MHCC will play an active role in the GMHSCP, working as part of the GM Joint Commissioning Board and GM Commissioning Hub to realise the ambitions set out in Taking Charge (2016) and the GM Prospectus (2019).

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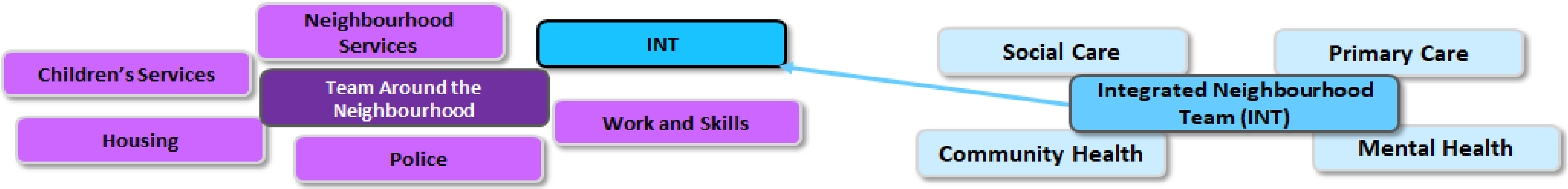
INTEGRATED NEIGHBOURHOOD WORKING

OUR HEALTHIER MANCHESTER

Bringing Services Together for People in Places is Manchester's approach to developing a model of integrated neighbourhood working that meets the requirements of the GM Public Service Model. This model represents the next level of integration for the health and social care system, following the achievements outlined earlier in the plan in integrating community, hospital and commissioning organisations. Health and social care will connect with wider services and assets in neighbourhoods in order to deliver joint priorities, and help people with more complex needs.

Manchester has developed shared neighbourhood footprints, largely based on populations of between 50,000 and 60,000 (plus the City Centre which is 28,000)



Public services delivering together

- A 'Team Around the Neighbourhood' - consists of 6 'link lead' operational managers across Health and Social Care, GMP, Children's, Registered Housing Providers, Work and Skills and Neighbourhood Services. Connected to VCSE organisations in the neighbourhood.
- The INT Lead within the MLCO is the connection between health and social care and wider public sector agencies.
- Each 'Team Around the Neighbourhood' will work together on a shared set of joint priorities for the place.
- The ambition is to integrate teams working across neighbourhoods to remove system duplication and start to look and feel like one public service team.

Health and social care connects into wider neighbourhood services

- Integration of health and social care at the neighbourhood level in Manchester is through Integrated Neighbourhood Teams (INTs), comprised of health and social care staff (district nurses, therapists, reablement, social care and mental health staff), and connected to Primary Care Networks (PCNs).
- Each INT has a single leadership team with staff co-located in community hubs working to a shared delivery plan.
- INTs connect to the 'Team Around the Neighbourhood' via the INT Lead and develop joint priorities for the neighbourhood with other partners.

Individuals and families with complex health, care and wider needs will be supported by a multi-agency meeting that mobilises integrated frontline support from different services. These will build on existing multi-disciplinary teams (MDTs) for health and social care in each neighbourhood, and will connect to wider services.

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INTEGRATED NEIGHBOURHOOD WORKING

OUR HEALTHIER MANCHESTER

Manchester's Neighbourhood approach will deliver the six key features of the GM Public Service Model, as set out below.

1	**Geographic alignment**	Thirteen neighbourhood footprints (including the City Centre) have been agreed between Health and Social Care (H&SC), Registered Housing Providers, Police and Children's Services. These are largely co-terminous. There is more work to do to align the frontline on these footprints. There is a clear plan of how these footprints connect to INTs and PCNs. Most neighbourhoods are towards or slightly larger than 50k population size given Manchester population. Each neighbourhood will include focused activity on small geographical areas within it, informed by relevant data.
2	**Leadership and accountability**	The 'Team around the Neighbourhood' (TatN) will be the integrated leadership team for services in each neighbourhood. It will connect to other H&SC services, the MLCO Leadership Team, and H&SC locality governance through the INT Lead. The TatN will make decisions about joint priorities for each neighbourhood. At the city wide level, the Our Manchester Investment Board (OMIB) is the key forum of Chief Executives from different services to work together on public service reform for Manchester. Progress from the Neighbourhood will be fed directly in to the OMIB.
3	**One workforce**	The TatN will lead on the development of 'one workforce' at the neighbourhood level. This will be enabled by a joint workforce development programme including strengths-based development and systems leadership. Each TatN will identify one or more practical projects to join up frontline teams on. Case navigation forums will integrate frontline delivery. Evaluation will measure the extent that the TatN look and feel like one team, including workforce and resident engagement.
4	**Shared financial resources**	MHCC is the single commissioning function for H&SC in the city that has an agreed set of shared strategic aims. Pooled budget arrangements already exist for health and social care in Manchester between MCC and MHCC. Voluntary and community sector funding streams have also been combined between MCC and MHCC. An integrated H&SC neighbourhood budget is in development to support 2020/21 service planning.
5	**Programmes, projects and delivery**	The common goal of public services in Manchester is to deliver the strategic aims for the city described in the Our Manchester Strategy 2016-25. These aim to improve lives for Manchester residents, improve outcomes, connect more people to economic growth, and reduce demand for services. The Our Manchester approach identifies how these will be delivered through new ways of working. Neighbourhood working will include some consistent elements across the city – in a single neighbourhood delivery model - and some flexibility to deliver priorities and work differently in each neighbourhood. Joint workstreams will be developed to improve shared knowledge of the strengths and issues in the place, including joined up resident engagement, population insight and risk stratification.
6	**Tackling barriers and devolution**	OMIB is the overarching governance group for public service Chief Executives across Manchester, which is responsible for driving delivery of this approach. Barriers that can be tackled at the neighbourhood level are escalated to OMIB for action for the Chief Executives. Manchester is well represented on all key GM governance groups and provides significant input to GM work with Government on devolution.

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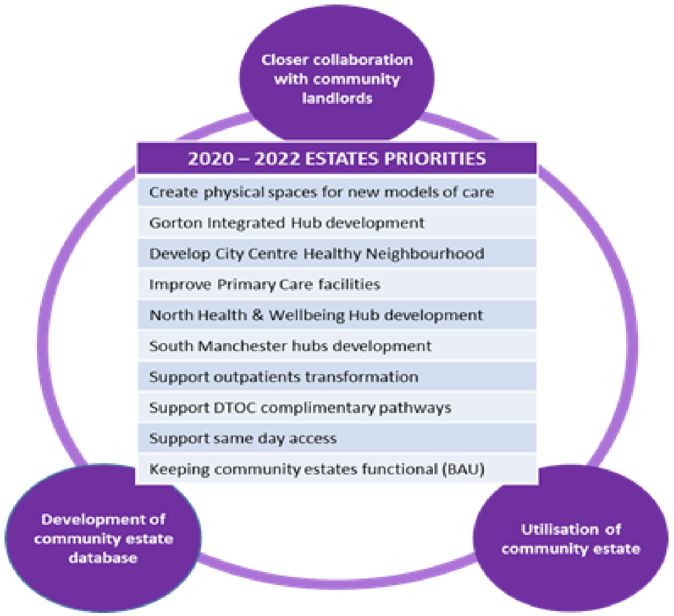
INTEGRATED NEIGHBOURHOOD WORKING

OUR HEALTHIER MANCHESTER

The Manchester Neighbourhood Model will seek to enable change through the optimisation of the public estate, and the use of digital technology, building on success to date. Estates and IM&T enabling programmes have worked together over three years to design 12 new hubs for INTs to co-locate in each neighbourhood. This has involved building refurbishment in most existing community sites, with supporting IT and networks installed. The challenge now is to integrate further across the health & care system, and beyond, to enable the delivery of the Locality Plan's five strategic aims.

The **Manchester Executive Strategic Estates Group** is working with partners across the city to deliver its priorities up to 2022, outlined below.



The **Manchester Digital Board** is developing a new digital strategy and delivery roadmap, working closely with Health Innovation Manchester (HiM) and GMHSCP. The Board will focus on five areas, all underpinned by effective information governance and data sharing agreements:

Digital Architecture (Networks, Security, Support)	The ways in which Manchester develops a more integrated system network architecture
Core Systems Implementation & Optimisation	How core organisational systems are developed with system objectives in mind.
Shared Care Records	Collaborative development of shared care records for both staff and citizens.
Care closer to home	Including self-care technology and patient consultation technology, supporting care closer to home.
Knowledge & Insight	The development of a knowledge system for Manchester that harnesses the wealth of data and evidence to drive better decision making.

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A FOCUS ON WORKFORCE

OUR HEALTHIER MANCHESTER

The **Manchester Locality Workforce Transformation Group (LWTG)** is a collaborative of system partners leading on the integration of workforce transformation activity to meet the five strategic aims of the Locality Plan. LWTG's aim is **'To make Health and Care in Manchester the best place to work'.** An integrated system approach is being developed in five priority areas to address the following challenges:

- Health and social care increasingly operates in an emergent, uncertain and ambiguous context with a focus on place-based and person-centred care working across organisational boundaries.
- Changing needs, higher expectations and increasing demand for limited resources places pressure on traditional models of service delivery and ways of working.
- Delivering safe, high quality and compassionate care is compromised by gaps, vacancies and hard to fill roles across Manchester, and the lack of a common workforce operating model across the system.
- Recruiting, retaining and supporting health and social care staff to deliver their best at work.
- Skills shortages both local and national for key roles such as Nurses, Social Workers, Therapists, GP's and hospital based medical staff cause significant financial and service delivery challenges, with reliance on expensive agency workers.
- To make better use of technology and enhance digital skills.
- Developing leadership behaviours across the system to operate in matrix structures and systems.
- Changing attitudes to work by the different generations will need to be responded to by employers – e.g. greater demand work flexibly. Workforce demographics are changing e.g. people working until an older age , by 2030 millennials will make up 75% of the workforce.

FIVE PRIORITIES

Recruitment, Retention and Progression

2020
- Design and application of a bespoke attraction strategy
- Developing integrated apprenticeships/ maximising use of the apprenticeship levy.

2021-23
- System recruitment strategies that position Manchester's health and care partners as employers of choice for people from diverse backgrounds; and for future generations, who may have different expectations around what they want from their careers and places of work.

Workforce Operating Model

2020
- Options appraisal and implementation of potential employment framework to enable cross-organisational movement of staff within the Manchester locality.

2021-23
- Aligning policies and processes across the system
- Review potential alignment of staff benefits across the system.

Inclusion, Social Value and Wellbeing

2020
- Bring together workforce race equality strategies and plans into a locality approach to improve BAME representation across the system
- Our locality approach will be used to inform and support system leaders to be clear on our drive to address and remove unnecessary and harmful disparities in employment
- Develop a single clear brand or message on our commitments to address inequalities in employment and promote inclusion.

2021-23
- Health and wellbeing baseline assessment indicators in place across all partner organisations
- Mental Health awareness campaign across the system
- Shared information about health and well-being resources
- Enabling recruitment, training and support for disabled staff
- Commitment to work towards Disability Confident level 3.

Workforce Planning

2020
- Develop and expand the scope of the Virtual Workforce Intelligence System (VWIS) to enable Manchester to undertake strategic workforce planning at a system level.

2021-23
- Improved approach to workforce planning – aligned to population growth, new roles and skills mix, shortages, cross sector and integrated career pathways.

Workforce Development

2020
- Review approaches to talent management
- Integrated approaches to leadership and development where it supports the system
- Review opportunities to collaborate on education, training and development.

2021-23
- Further development of person centred and strengths based approaches
- Implementation of the Primary Care workforce strategy.

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RESPONDING TO THE NHS LONG TERM PLAN

OUR HEALTHIER MANCHESTER

Building a sustainable health and care system through the delivery of national and local policy drivers and requirements will be critical to successful implementation of the Locality Plan. Such drivers include the Local Industrial Strategy, the Greater Manchester Model of Public Service Reform, the Health and Social Care Prospectus, and the NHS Long Term Plan (LTP).

A readiness assessment has been completed against the NHS LTP to assess the preparedness of the city to deliver on the LTP, and to understand any areas which will require additional focus. This assessment will be used to support both planning and assurance across the system. Taking account of these policy drivers, Manchester will focus on seven key areas, explained in more detail over the next four pages.

PLANNED CARE

Delivering shorter waits for planned care and ensuring that patients are able to choose where and how they receive their care remains a priority. Through the **Joint Planned Care Board** involving providers and commissioners, reform will be targeted in the right areas by using Getting It Right First Time (GIRFT) and NHS Right Care. This will ensure any unwarranted variation is identified and addressed and will support the delivery of shorter waits for planned care. MHCC continues to work closely with its main provider to manage waiting times in line with national guidance. Specialty level delivery trajectories are in place to reduce waits and there are systems in place to ensure no patients wait over 52 weeks for treatment including review of all patients at 46 weeks. Oversight continues through weekly taskforce meetings between the MFT and MHCC.

The volume of planned care surgery required to deliver the elective standards will be considered annually as part of the NHS planning round and contract negotiations. MHCC will work with providers to undertake a capacity and demand exercise. As part of this, any new guidance (NICE, NHS LTP, choice at 26 weeks) will be considered, along with affordability and deliverability. The Elective Care Board will oversee the implementation of the **Elective Care Reform Programme**. This programme will focus on delivering reform through the use of new technologies with a view to reducing outpatient attendances. Priority areas have been agreed with stakeholders.

URGENT & EMERGENCY CARE

A comprehensive **System Wide Improvement Plan** is in place across Manchester and Trafford through which the delivery of urgent and emergency care priorities will be managed. The plan highlights key transformational workstreams and aligns to national priorities, regional priorities and operational priorities. This includes the overall requirements of the NHS LTP and will incorporate the outcomes of the **Clinical Standards Review**. The Clinical Standards Review is exploring whether an average (mean) time in A&E could be implemented safely, and will provide clinicians with a useful measure of activity and patient experience. The review is also collecting data to examine the feasibility of measuring how fast critically ill or injured patients arriving at A&E receive a package of tests and care (developed with clinical experts) for conditions such as stroke, major trauma, heart attacks and sepsis. Field testing of these standards are currently underway at a small number of hospital sites across England.

Improving performance against key system indicators such as A&E waiting times, Delayed Transfers of Care, and Length of Stay is central to the plans in Manchester. Examples of how improvement will be delivered include developing a single multidisciplinary Clinical Assessment Service (CAS) integrated within NHS 111, implementation of Urgent Treatment Centres (UTC) in each locality and embedding discharge standards to ensure every patient has a plan in place for discharge.

RESPONDING TO THE NHS LONG TERM PLAN

OUR HEALTHIER MANCHESTER

MENTAL HEALTH

MHCC is committed to ensuring that everyone who needs mental health care has timely and equitable access to high quality, evidenced based provision, as close to home as possible, that has been developed in partnership with all of our providers and people with lived experience. This will be done by ensuring that our system plans for delivering the LTP and Mental Health Implementation Plan are clearly aligned to other work areas such as ageing well, maternity, primary care, personalisation and learning disabilities. Examples include:

- Commissioning **specialist perinatal community services** and supporting partners of women who are using these services.
- Securing **more access for children and young people (CYP) to NHS funded care** including school and/or college based mental health teams.
- Working with providers who deliver 0-25 services to **smooth the transition** from CYP to adult services.
- Securing **better outcomes for people accessing crisis services** by improving adults and CYP crisis pathways.
- Working with our local care organisation to fully align and embed **Improving Access the Psychological Therapies (IAPT) services** within neighbourhood level structures and support closer working with primary care services.
- Improving **primary care mental health support** available in the community, ensuring that people move between the different levels of mental health care with ease.
- Supporting the delivery and provision of mental health rehabilitation services within community settings to **enable people to recover whilst firmly rooted within their communities and lives**.

CHILDREN'S SERVICES

Our vision is for a **safe, healthy, happy and successful future** for all children and young people in the city; a city passionate about children and young people living in stable, safe and nurturing homes; safely reducing the number of looked after children; having the best start in the first years of life; and fulfilling their potential. This will be delivered working in partnership across the system to promote a strengths-based way of working, focused around the child and young person (CYP) and the outcomes that matter to them. Areas of focus will include:

- **Improving health outcomes of CYP with SEND** by ensuring that they receive an integrated response to their health, educational and social needs.
- Implementing M-Thrive to enable **access to emotional health and wellbeing support**.
- Preventing avoidable admissions to hospital through **building community capacity and confidence within local populations to manage minor illness**.
- Having a **robust, local offer in Manchester to those CYP who require longer term care outside of their family home**, which will include Special Guardianship Orders, Foster care, respite and residential offers.
- **Providing pathways of support across education, health and care** for Looked After Children up to the age of 25, both within and outside of the city ensuring they have the right care and support at the right time in the right way.
- **Successfully transitioning young people to adult services**, with full involvement from the young person in a gradual, planned way to ensure that young people have a better experience of moving between support settings, be they in health, care or education.
- Working with the GMHSCP to implement **Better Births.**
- **Taking a 'whole system approach' to reducing childhood obesity,** engaging with partners beyond the field of health and challenging the obesogenic environment in the city. Specifically in health we will be expanding the Infant Feeding Strategy to increase breastfeeding rates, and develop a neighbourhood 'social prescribing' model of Tier Two and Three weight management provision.

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CANCER

An overall Cancer strategy has been developed which covers how partners across Manchester will drive the improvement of cancer outcomes, and achieve the requirements of the NHS Long term Plan. Area of focus will be:

- **Improvement of the one-year survival rates** of people in Manchester through earlier diagnosis by working across primary networks, neighbourhoods, and with the VCSE to increase the uptake of the screening for national and local cancer screening.
- Consistently **achieving the cancer waiting time standards** though the implementation of **Faster Diagnosis Pathways** initially for Colorectal, Lung and Prostate, to be followed by OG, Head and Neck, Gynaecology and Hepatobiliary. This may include the development of one stop clinics, straight to test pathways, and multi-diagnostic/rapid diagnostic clinics.
- **Improving access to high-quality treatment services**, including through roll out of Radiotherapy Networks, strengthening of Children and Young People's Cancer Networks, and reform of Multi-Disciplinary Team meetings
- **Roll-out of personalised care interventions**, including stratified follow-up pathways, to improve quality of life.
- Working with GM to support **the roll out of Prehab 4 Cancer,** to improve people's fitness before cancer treatment and therefore improves recovery and reduce post-treatment complications. Initial focus will be on services for colorectal, upper gastro-intestinal (GI), lung and hepato-pancreatic-biliary (HPB) patients.
- MFT is one of the seven **genomics hubs** across England. We will engage with the genomics hub to understand how genomics can be used for screening and personalising cancer treatment for second cancers, and how affected relatives can have regular surveillance to ensure early detection of any cancers.

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RESPONDING TO THE NHS LONG TERM PLAN

OUR HEALTHIER MANCHESTER

FINANCIAL SUSTAINABILITY

Financial sustainability remains a key priority for Manchester's health and care system and partners throughout the planning period 2019/20 to 2023/24, embodied in the strategic aim to **'Achieve a sustainable system'** within both the Locality Plan and 'Manchester Agreement':

- **Transform the health and care system, moving our focus from hospital to the community.**
- **Reinvest the savings we make into better care.**
- **Balance our finances now and in future years.**
- **Develop our workforce so we have committed, healthy, skilled, people where and when they are needed.**

The Locality Plan sets the ambition to radically improve people's health in the city. Manchester has already commenced an unprecedented set of complex, interdependent reforms to the way services are commissioned and provided, encompassing structural, contractual and service delivery transformation.

Large scale investment was secured to 2021 to support health and care transformation through the 'GM Transformation Fund', additional Government funding for Adult Social Care (ASC), and a range of other sources. The GM Investment Agreement included high-level information about what needs to be delivered in return for the investment from the GM Transformation Fund. The Manchester Agreement sits alongside the GM Investment Agreement to provide additional assurance about how investment and reform will reduce demand in the city, including how partners will collaborate to better understand how the investments being made in new models of care will reduce demand for acute health services, and, through decommissioning, release cashable savings for reinvestment.

The next planning period represents a crucial phase in embedding and realising the full benefits of the changes to date, whilst responding to emerging policies within the NHS Long Term Plan. This includes a priority to invest funding growth within primary, community and care services.

The forward five year health and care financial plan is currently being refreshed but it is anticipated that substantial financial challenges will need to be addressed across the health and care system. This will critically depend upon the continued strength of the city's excellent partnerships and working relationships and in particular, the city's executive financial leaders in the context of financial sustainability.

All partners will have a role to play in ensuring that recent transformational investment delivers improvements in health and care outcomes for Manchester's people, as well as long term financial sustainability for Manchester's health and care partners. This will be enabled via a system-wide focus upon achieving the best possible value from Manchester's scarce resources, including, where appropriate, designing and delivering further system-wide efficiency programmes.

Within this context, partners are currently considering alternative future funding models and strategies - for example, affordability (rather than National Tariff based acute contracts); reliant upon a key principle of intra-organisational trust and transparency and ongoing reciprocal understanding of the partners' dynamic organisational financial contexts.

RESPONDING TO THE NHS LONG TERM PLAN

OUR HEALTHIER MANCHESTER

Although not covered explicitly in the NHS Long Term Plan, improvements to adult social care services are necessary to both help stabilise an NHS under increasing demand pressures, and to expand and improve community based health and care services.

ADULT SOCIAL CARE

Manchester's Adult Social Care Improvement Programme is driving significant change and longer term sustainability through investment in workforce, a shift of focus to 'our people in place' via the mobilisation of Integrated Neighbourhood Teams and transformation to new ways of working underpinned by 'our culture' and the Our Manchester strategy. Significant investment has been made within the programme to deliver safe, effective and sustainable services that take a 'strengths based' approach to assessment and care and support planning. Mobilised INTs are beginning to realise tangible outcomes relating to joint visits with improved communication between health and social care (i.e. district nurses, social workers, GPs, care navigators, community mental health teams), streamlined referral processes and multi-agency meetings.

The programme will also transform how services are delivered at our 'Front Door' by supporting integrated responses, access to a wider range of system informatics and linking our people to innovation in care and support through a mainstreamed Technology Enabled Care offer. Our Homecare market has been re-procured and is being mobilised to integrate at place level with INTs and to better collaborate in care and support to enable better outcomes. Investment has been made in new and existing care models for example, the expansion of the Reablement Service to reach more people and to better support timely hospital discharge pressures alongside the development of a new Complex Reablement Service to support people who require a specialised, longer term approach to enablement. Plans around housing support options continue to mature with significant capacity (1000 units) of Extra Care coming on stream through 20/21 in addition to 70 new build properties for Learning Disabilities. These housing options create longer term sustainable responses to care and support, reduce pressures and cost in the system and improve personal choice and independence.

REFERENCE DOCUMENTS

Document	Web location
Our Manchester: The Manchester Strategy	www.manchester.gov.uk/info/500313/the_manchester_strategy
Our Healthier Manchester	https://healthiermanchester.org/
Greater Manchester Plan - Taking Charge of our Health and Social Care in Greater Manchester	www.gmhsc.org.uk/the-plan/
Greater Manchester Transformation Agreement	www.greatermanchester-ca.gov.uk/homepage/59/devolution
Population Health Plan	www.manchester.gov.uk/downloads/download/6898/manchester_population_health_plan_2018-2027
NHS Long Term Plan	www.longtermplan.nhs.uk/

Further information can also be found at:

Organisation	Web location
Manchester Joint Strategic Needs Assessment (JSNA)	www.manchester.gov.uk/jsna
Greater Manchester Health and Social Care Partnership (GMHSCP)	www.gmhsc.org.uk/
Greater Manchester Combined Authority (GMCA) – for key regional strategies: Greater Manchester Strategy; Local Industrial Strategy; Greater Manchester Independent Prosperity Review	www.greatermanchester-ca.gov.uk/
Organisational Websites: MFT, MHCC, MLCO, MCC and GMMH	www.mft.nhs.uk www.mhcc.nhs.uk www.manchesterlco.org www.gmmh.nhs.uk www.manchester.gov.uk
The Health and Wellbeing Board (HWB) and Health Scrutiny Committee – past papers are publicly available	http://www.manchester.gov.uk/meetings

Appendix C: MLCO Financial Plan 2020/21

Appendix D: Health Growth Assumptions

Board Heading	2020/21	2021/22	2022/23	2023/24
Acute	1.55%	1.55%	1.15%	1.15%
MFT Acute	2.65%	2.65%	2.25%	2.25%
Pennine Acute	2.65%	2.65%	2.25%	2.25%
Acute Non NHS	1.55%	1.55%	1.15%	1.15%
NCAs	1.55%	1.55%	1.15%	1.15%
Mental Health	6.01%	4.20%	3.90%	4.34%
Learning Disabilities	6.01%	4.20%	3.90%	4.34%
Continuing Healthcare	3.00%	3.00%	3.90%	4.34%
Community NHS	4.36%	4.17%	3.89%	3.64%
Community Non NHS	4.36%	4.17%	3.89%	3.64%
Prescribing	3.00%	3.00%	5.00%	5.00%
Primary - local enhanced services	1.00%	1.00%	2.00%	2.00%
primary - out of hours	1.00%	1.00%	2.00%	2.00%
Primary - Other	1.00%	1.00%	2.00%	2.00%
Primary care medical services				
Other Programme Spend	0.70%	0.70%	0.70%	0.70%
Propco	0.70%	0.70%	0.70%	0.70%
Overheads programme	0.70%	0.70%	0.70%	0.70%
Admin	-0.08%	-0.12%	-0.12%	-0.12%
Reserves	0.00%	0.00%	0.00%	0.00%

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Manchester City Council
Report for Information

Report to: Neighbourhoods and Environment Scrutiny Committee - 5 February 2020
Executive – 12 February 2020

Subject: Homelessness Budget 2020/21

Report of: Executive Director for Adult Social Service and Director of Homelessness

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Summary

This report is an update to the report provided to Neighbourhoods and Environment Scrutiny Committee on 8 January 2020 to reflect feedback from Scrutiny, the outcome of the provisional Local Government Finance Settlement and other government funding notifications. It sets out the Directorate's budget proposals and strategy for 2020/21. The report should be read in conjunction with the Council's Business Plan report.

For 2020/21 the City Council will publish a one-year budget plan only and this reflects the Government's Spending Round for local government which was also for 2020/21 only. The Spending Round 2019 announced in September 2019 included £54m of new funding to reduce homelessness and rough sleeping, taking it to a national funding level of £422m for 2020/21. The detailed funding announcements for homelessness and rough sleeping were released on 23 December 2019 and confirmed for 2020/21:

- Manchester City Council has the same funding as in 2019/20 for the core Flexible Housing Support Grant of £2.1m, the national total remains at £200m.
- The Homelessness Reduction Act Grant (HRA) was introduced as New Burdens funding to allow authorities to fulfil their duties under the Homelessness Reduction Act 2017, which required authorities to intervene at earlier stages to prevent homelessness in their areas. In 2020/21 £62.9m has been allocated, a £38m increase on the 2019/20 grant. Manchester's allocation is £461k for 2020/21, compared to £194k in 2019/20 (part of £0.509m awarded over three years 2017-2020). This is an increase of £267k.

The City Council also currently receives government funding for Prevention of £202k and additional Flexible Housing Support Grant of £0.803m in 2019/20. This is being used to prioritise prevention work, carry out homelessness activities in line with the principles of the Homelessness Reduction Act and reduce or eliminate the use of emergency Bed and Breakfast accommodation. Continuation of this funding has not yet been confirmed. The possible loss of funding of £1.005m, partly offset by increased homelessnes reduction act grant of £267k means there is a risk of an overall funding reduction of £0.738m, compared to current assumptions. However, it is noted that the Spending Round 2019 referenced £422m resource funding to reduce homelessness and rough sleeping, and with the detailed allocations to date

totalling only £263m, additional announcements are considered likely. Until such funding is confirmed the potential reduction in funding from last year will remain as a possible risk.

As previously reported the budget proposals plan for additional investment of £2.352m to meet the estimated cost of rising need for temporary accommodation, making permanent the temporary grant funded workforce capacity that is having the greatest impact and providing sustainable funding for the Longford Centre. Whilst the budget makes provision for continued increase in the need for temporary accommodation, there are spending reductions of £1m estimated from piloting a new approach to effectively access housing benefit for temporary accommodation working with Registered Providers.

Recommendation

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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	Helping people to stay in their accommodation through prevention work will help them to thrive. Reducing the number of people who are homeless, or placing them in appropriate accommodation with help to access employment and learning opportunities will contribute to Manchester becoming a thriving and sustainable city.
A highly skilled city: world class and home grown talent sustaining the city’s economic success	Having public, private and voluntary sector organisations working together to help people who have personal insight into homelessness into volunteering and employment will contribute to the objective of having a highly skilled city. Employment breaks the cycle of generational benefit dependency and will encourage children to access school and employment in later life
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Supporting people who are homeless to access employment and accommodation will unlock their potential to help them become independent citizens who contribute to our city. Working with the Homelessness Partnership to ensure that the views of people with personal insight into homelessness influence ways of working.
A liveable and low carbon city: a destination of choice to live, visit, work	Encouraging commissioned and inhouse services to reduce CO2 emissions and reduce their use of plastics will contribute to a low carbon city. Introducing climate change conversations with homeless people will support them in adopting a low carbon lifestyle.

A connected city: world class infrastructure and connectivity to drive growth	Promoting inclusive growth for the benefit all Manchester citizens

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 forms part of the preparation of the Council's draft revenue and capital budget for 2020/21 to be reported to the Executive for approval in February 2020.

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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.

Homelessness Business Planning 2019/20 - Neighbourhoods and Environment Committee 6th February 2019 and Executive 13th February 2019

Homelessness Budget 2019/20 - Neighbourhoods and Environment Committee 8th January 2020

1. Introduction

1.1 The purpose of this report is to provide the budget strategy for the Council's Homelessness Service and revenue budget proposals for 2020/21. The budget proposals for 2020/21 reflect the anticipated outcome of the Spending Round as set out in the Council's Business Plan as part of the overall financial strategy for the directorate.

1.2 The proposed budget reflects funding announcements for homelessness and rough sleeping which were released on 23 December of £2.1m for the Flexible Housing Support Grant and £461k for new burdens from the Homelessness Reduction Act.

1.3 Final budget proposals will be made to Executive in February 2020.

2. Background and Context

2.1 The vision for the Homelessness Directorate mirrors the Homelessness Charter vision and the Homelessness Strategy for the City (2018-23) developed with Manchester Homelessness Partnership. The Partnership consists of people with personal insight into homelessness, and organisations working to reduce homelessness and has agreed the following three key priorities:

- Homelessness a rare occurrence: increasing prevention and earlier intervention at a neighbourhood level
- Homelessness as brief as possible: improving temporary and supported accommodation to be a positive experience
- Experience of homelessness to be a one-off occurrence: increasing access to settled homes

2.2 Since August 2019, the Directorate has adopted 4 key aims to focus on these will be embedded into service plans in the future and will form the core of the activities for the service in 2020/21. The 4 key aims adopted are:

- Reduce rough sleeping
- Reduce the use of temporary accommodation
- Reduce the cost of temporary accommodation
- Increase prevention

2.3 The 2019/20 business plan and budget recognised the continuing challenge of availability of affordable housing in the city. Welfare Reforms such as the freezing of Local Housing Allowance, the 'bedroom tax', the benefit cap, application of the shared room rate to single households under 35 and a stricter sanctions regime have all contributed to the increase in demand and also the ability of the Directorate to prevent and relieve homelessness. More recently, new case law will also make the prevention of homelessness and the rehousing of homeless households in receipt of benefits more difficult.

2.4 The private rented sector has grown significantly in the last decade and rents have increased three times faster than wages nationally. This tenure is increasingly unaffordable for families on low incomes, particularly to households in receipt of Local Housing Allowance. The loss of a private rented tenancy has recently become the prime reason for people who are presenting as homeless. Work is ongoing with Private Rented Sector landlords to investigate the extent of arrears and to inform landlords of support they and their tenants can access to prevent loss of tenancy.

3. Budget Strategy

3.1 The budget strategy for Homelessness has been to contain the cost of rising need for temporary accommodation within available resources whilst also prioritising resources towards service developments that will achieve the service's priority to prevent and reduce the incidence of homelessness. This has been supported by significant additional investment from the Council, maximising draw down of Housing Benefit income that the Council can claim and seeking opportunities for accessing external funding.

3.2 The greatest risk for the priorities of the service and the budget strategy is the continuing rise in need and the uncertainty of short term funding meeting the cost of temporary staffing capacity. Primarily, key services designed to deliver homelessness prevention and rapid rehousing, under-pinned by time-limited funding are the ones presenting most risk as these have the greatest impact on reducing the use of temporary accommodation and in enabling more housing solutions to reduce the length of people's stay. The key teams at significant risk are the Section 21 team and the Private Rented Sector Team. where there are currently 33 staff employed in these teams, with funding ultimately due to end on 31 March 2020. The budget makes proposals for investment to provide permanent capacity where it will have the maximum benefit in improving outcomes for people and supporting service priorities.

3.3 The number of people and families in temporary accommodation has continued to rise during 2019/20 from 1,491 in March 2019 to 1,628 in December 2019. This is following a significant increase over the last few years where numbers in temporary accommodation are now ten times what they were five years ago. Unsupported temporary accommodation (known as Bed and Breakfast) during December averaged 166 single people and 105 families per night, a total of 271. Presentations for April to December 2019 were 7,306, 25% higher than 2018/19.

3.4 Successful management of pressures and risks must be addressed in the context of increasing demand and footfall, with over 10,000 households likely to approach the service in 2019/20. The Council invested £0.8m in 2019/20 which is being used to put in place a Service Transformation Programme which puts prevention at the forefront of the service.

3.5 The Service Transformation Programme will form the core of the approach to tackling and reducing homelessness over the next three years. It will be the framework in which reductions in temporary accommodation and rough sleeping will be achieved through a radical reorganisation of the Homelessness Service and its activities. The programme will focus on five key areas; the strategic vision, redesigning the journey through the system, prevention, accommodation and communication and development.

3.6 Several individual projects make up the programme as a whole, addressing each part of the system and redesigning it. A key element is the development of a city-wide ‘Prevention Compact’. This will be informed by two locality based prevention pilots in Moss Side and Clayton & Openshaw. Scoping work on existing community assets is being undertaken and additional recruitment is underway. Other examples of bespoke projects include improving prevention and move-on through more cost-effective enhanced incentives for private landlords to increase the level of property available in order to re-house households, at lesser cost than expensive and unsuitable temporary accommodation and bed-and-breakfast. The service will work with Early Help, Education Services and Integrated Neighbourhood Teams providing a multi-agency/multi-modal prevention response to those households identified as being at risk of homelessness before they hit crisis point and critically before they need to present as homeless.

3.7 A new team has also been implemented at the front door for Section 21 presentations (no fault evictions). The team provides support to prevent or delay the use of temporary accommodation and move people in a managed way. They have worked with 859 cases since mid January 2019, preventing 522 cases, 450 of which had an invalid Section 21 notice and a further 72 were prevented following contact with the landlord. This delay allows more time to work with the family or individual to avoid eviction. The plan is also to put social workers into this team. Where there is a need for temporary accommodation the aim is to move people directly from their current property into dispersed accommodation, avoiding the use of Bed and Breakfast.

3.8 The 2019/20 budget included £0.5m of investment into the Inspections Team for Dispersed Accommodation and Floating Support Welfare Contact Officers. This ensures there is sufficient capacity to make certain that properties are up to standard, with 1,110 properties inspected between July and December. The Welfare Contact Officers will ensure oversight and service safeguarding is maintained of all households whilst unallocated to a specific Support Worker, in addition to this, the role will oversee escalation of property issues, chasing progress on repairs and supporting residents with move on.

3.9 Adult Social Care Winter pressures grant of £279k was allocated and approved as part of the 2019/20 budget setting process to support Homelessness. This is funding eight posts on a permanent basis to enable successful recruitment and retention of staff linking a Homelessness Support Worker to each of the three hospitals as well as Mental Health provision. In addition the funding has provided additional Private Rented Sector staffing to ensure that people are discharged from hospital with a permanent accommodation offer.

3.10 The spend on current dispersed temporary accommodation for 2019/20 is projected at £14.373m, of which it is estimated £9.860m can be claimed through housing benefit. The Council incurs a shortfall of c£88 per week for each unit of temporary accommodation because Local Authorities are not able to access funding from the Department of Work and Pensions for the full cost of accommodation and are limited to 2011 housing benefit rates. As the Council is unable to claim full housing benefit to cover the cost of temporary accommodation this will result in an estimated net cost to the Council of £4.513m. This cost is being met from Flexible Housing Support Grant of £2.1m with the balance being funded by the Council.

3.11 The Homelessness Business Plan for 2019/20 included proposals to procure the management of the dispersed temporary accommodation contract from a registered provider. Whilst action was taken to progress this, there wasn't a suitable bid to enable the whole contract to transfer. As such an approach is being piloted with individual Registered Providers to maximise eligible housing benefit which should reduce the subsidy loss for the Council. The specification for this includes enhanced quality and safety requirements and also a strengthened regime of penalties for non-compliance, to be enforced by the Inspections Team, in partnership with the Private Sector Housing team. This is expected to be in place towards the end of 2019/20 and will start to impact from 2020/21.

4. Revenue Strategy

4.1 The 2019/20 Homelessness budget is £13.933m net and £34.480m gross with 253 full time equivalent staff, this is summarised in the table below:

Table: 2019/20 Budget

Service Area	2019/20 Net Budget Original £'000	2019/20 Gross Budget Revised £'000	2019/20 Net Budget Revised £'000	2019/20 Budgeted Posts (FTE)
Singles Accommodation	1,106	4,078	1,215	100
B&B's Room Only	3,242	4,042	3,242	11
Families Specialist Accommodation	248	746	274	15
Dispersed Temporary Accommodation	13,600	19,464	13,681	54
Housing Benefit Income (Dispersed Accommodation)	(9,860)	0	(9,860)	0
Homelessness Management	646	662	662	9
Homelessness Assessment & Caseworkers	1,804	2,083	2,083	42
Homelessness PRS & Move On	798	1,593	824	7
Rough Sleepers Outreach	387	401	401	9
Tenancy Compliance	194	201	201	6

Commissioned Services	1,210	1,210	1,210	0
Total	**13,375**	**34,480**	**13,933**	**253**

4.2 The increase from original net budget in 2019/20 to revised net budget in 2020/21 is due to the allocation of pay award held corporately and winter pressures funding approved as part of the 2019/20 budget setting process.

4.3 For 2020/21 it will be a one year budget plan to reflect the Government's Spending Round for local government. The September Spending Round announced £54m of new funding nationally to reduce homelessness and rough sleeping, taking it to a total funding of £422m in 2020/21. This would be a real-terms increase of 13% to tackle rough sleeping and homelessness, including improving the use of support services to address the significant needs of rough sleepers, many of whom have complex mental and physical health needs. Local allocations of existing and new government funding for Homelessness has not been confirmed for 2020/21.

4.4 The 2019/20 budget is supported by significant non-recurrent external funding streams. Funding announcements for homelessness and rough sleeping were released on 23 December, this confirmed for 2020/21:

- Manchester City Council has the same funding as in 2019/20 for the core Flexible Housing Support Grant of £2.1m, the national total remains at £200m.
- The Homelessness Reduction Act Grant (HRA) was introduced as New Burdens funding to allow authorities to fulfil their duties under the Homelessness Reduction Act 2017, which required authorities to intervene at earlier stages to prevent homelessness in their areas. In 2020/21 £62.9m has been allocated, a £38m increase on the 2019/20 grant. Manchester's allocation is £461k for 2020/21, compared to £194k in 2019/20 (part of £0.509m awarded over three years 2017-2020).
- Ministry of Housing, Communities and Local Government (MHCLG) Prevention and Flexible Homeless Support Grant of £1.005m to be utilised to prioritise prevention activity, carry out homelessness activities in line with the principles of the Homelessness Reduction Act and reduce or eliminate the use of emergency Bed and Breakfast accommodation, particularly for periods over 6 weeks. Continuation of this funding has not yet been confirmed.
- Rough Sleeper Initiative (RSI) funding of £0.5m for a number of different initiatives and services that work together as an RSI Partnership, with the objectives of preventing people from rough sleeping and finding accommodation for people already rough sleeping. Continuation of this funding was confirmed 28 January.
- MHCLG funding for Rapid Rehousing Pathway programme of £215k. Additional staff attached to the Council's Outreach Team will develop relationships and help people who sleep rough to access appropriate local services, get off the streets and into settled accommodation. Continuation of this funding was confirmed 28 January 2020.

- Private Rented Sector (PRS) Access Bid of £401k to increase the existing PRS offer to landlords including assistance for deposit and bonds. This funding is to be utilised over 18 months with the scheme starting in October 2019.

4.5 The possible loss of funding of £1.005m, partly offset by increased HRA grant of £267k means there is a risk of an overall funding reduction of £0.738m, compared to current assumptions. It is noted that the Spending Round 2019 referenced £422m resource funding to reduce homelessness and rough sleeping. The detailed allocations to date total £263m therefore additional announcements are considered likely. Until confirmed, however, the risk remains.

4.6 The scale of staffing funded through short-term funding streams represents a significant risk to the ability of the service to deliver priorities, improve outcomes for people and also meet statutory duties as described in paragraph 3.2 above. It is proposed that investment of c£1m is provided in 2020/21 to facilitate the permanent recruitment of staff in posts which support the prevention activity funded from a reduction in the spending on temporary accommodation in para 4.7 below. This will mitigate the impact of unconfirmed funding. This is predicated on continued success in securing central government funding from the Rough Sleeper Initiative of £0.5m in 2020/21 to continue the success in reducing the numbers of people sleeping rough on our streets.

4.7 Dispersed temporary accommodation placements have increased by 137 since March 2019 to 1,628 in December 2019. The number of homelessness presentations in Manchester continues to rise. Presentations for Quarter 2 were 2,525, the highest recorded in any quarter and 27% higher than at this stage in 2018/19. Funding for increased need of £0.979m has been applied to support the budget position based on estimated growth in demand since the start of the year. Whilst the City Council awaits the outcome of the allocation of the remainder of the Government grant funding referenced in paragraph 4.4 above, resources of up to £1.5m held within the Adult Social Care reserve will be set aside to underwrite the potential pressures in Homelessness.

4.8 An increase in income of £1m in 2020/21 relating to Housing Benefit for temporary accommodation which will be available from DWP based on a small scale transfer of existing properties being managed by Registered Providers (RPs) by end of March 2020 and increasing incrementally throughout 2020/21. Further discussions are being undertaken with housing providers, including an option to utilise the GM Ethical Lettings Agency (operated through GM Housing Providers). The option under consideration would target transfer of properties outside of the city boundaries, thereby further reducing the Council's reputational as well as financial risk. The approach with RPs has been agreed in principle and financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.

4.9 Funding for pay awards and inflationary pressures are held corporately, to be allocated during the financial year.

4.10 Funding of £1.438m from Greater Manchester Combined Authority (GMCA) for 'A Bed Every Night' commitment for 2019/20 has been confirmed which will provide over 45,000 bed nights until March 2020. The ABEN programme in Manchester reflects Manchester specific standards for accommodation. Funding of £371k is committed by GMCA to extend provision to June 2020. In addition there is £373k in 2018/19 and 2019/20 from GMCA for the Longford Centre, a homelessness prevention centre which opened in March 2018. This is non-recurrent funding which is not available in 2020/21. The budget proposals include additional investment of £373k to meet the ongoing costs of the Longford Centre.

4.11 The proposed 2020/21 budget for the Homelessness services is a net budget of £15.285m as follows:

Service Area	2019/20 Revised Net Budget £'000	Additional Income £'000	Investment and other changes £'000	2020/21 Net Budget £'000
Singles Accommodation	1,215	0	373	1,588
B&B's Room Only	3,242	0	0	3,242
Families Specialist Accommodation	274	0	0	274
Dispersed Temporary Accommodation	13,681	0	979	14,660
Housing Benefit Income (Dispersed Accommodation)	(9,860)	(1,000)	0	(10,860)
Homelessness Management	662	0	0	662
Homelessness Assessment & Caseworkers	2,083	0	1,000	3,083
Homelessness PRS & Move On	824	0	0	824
Rough Sleepers Outreach	401	0	0	401
Tenancy Compliance	201	0	0	201
Commissioned Services	1,210	0	0	1,210
Total	**13,933**	**(1,000)**	**2,352**	**15,285**

5. Capital Strategy

5.1 A key investment to improve access to settled homes for people and families who are in temporary accommodation has been the buying of larger houses in order to accommodate those families who cannot be accommodated from existing social housing stock. To date 21 properties have been purchased with offers made on a further 16, with committed spend of £1.3m from the Council's approved capital allocation.

6. Impact on Workforce

6.1 The framework for how the Council supports its workforce is set out in the People Strategy. This is currently being updated and the revised version will form part of the suite of budget reports. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the agreed priorities, budget and workforce implications agreed last year.

6.2 Key elements of improved and increased service delivery within Homelessness are currently reliant on time limited funding and therefore temporary posts. The proposals in this report have put in place funding to enable a permanent staffing structure to be implemented in April 2020, therefore avoiding the need for 33 time limited placements.

6.3 Working to move the service from a ‘developing’ to ‘maturing’ Our Manchester approach across all areas, managers will further build upon the development of Our Manchester behaviours across the workforce and strengths based ways of working. This will impact on all staff as they will be required to further develop their approach and behaviours to delivering services; supporting citizens to develop personal resilience and break the cycle of poverty and homelessness. This development of the Our Ways of Working approach will be supported through a programme of activity that includes building rapport, Our Manchester context, introduction to strengths, and the Our Manchester behaviours, practical tools and techniques for working in a strengths based way.

7. Impact on Residents, Communities and Customers

7.1 The Homelessness Service works with some of Manchester’s most diverse communities. The significant increase in the numbers of households who are homeless in Manchester in recent years has had an impact on our communities, residents and customers. The roll-out of Universal Credit and the Homelessness Reduction Act have made this even more challenging. Despite this, the Homelessness Service is committed to supporting the council’s equality objectives, and continues to make progress in a number of areas. As stated above, the service continues to develop a co-production approach with the aim of engaging with, and understanding, the people using services and developing strong links with statutory and voluntary sector partners. This includes working with partners to share knowledge and understand the impact of big changes within the city on different communities. The service will work closely with partners to help people who are homeless into volunteering and subsequently employment. Alongside this, the service will continue to promote the diversity of Manchester residents, making use of communication channels and partners to celebrate Manchester’s diverse communities.

7.2 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester’s communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

8. Conclusion

8.1 The budget strategy provides information on the financial position for the Homelessness Service. The proposed revenue budget for 2020/21 sets out the budget proposals as part of the preparation of the Council's budget.

8.2 Final budget proposals will be made to Scrutiny and Executive in February 2020.

9. Recommendations

9.1 The recommendations appear at the front of this report.

Appendix 1

1. Revenue Financial Plan

Table showing an overall summary of financial position

Subjective Heading	2019-2020 Budget £'000	2021-2021 Indicative Budget £'000
Expenditure:		
Employees	9,175	10,175
Running Expenses	25,305	26,284
Capital Financing Costs	0	0
Contribution to reserves	0	0
Total Subjective Expenditure	**34.480**	**36,459**
Less:		
Other Internal sales	0	0
Gross Expenditure	**34,480**	**36,459**
Income:		
Government Grants	(616)	(616)
Contributions from Reserves	0	0
Other Grants Reimbursements and Contributions	(373)	0
Customer and Client Receipts	(19,558)	(20,558)
Other Income	0	0
Total Net Budget	**13,933**	**15,285**

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Manchester City Council
Report for Information

Report to: Neighbourhoods and Environment Scrutiny Committee - 5 February 2020
Executive - 12 February 2020

Subject: Neighbourhoods Directorate Budget Report 2020/21

Report of: Strategic Director Neighbourhoods

Summary

This report provides a further updated Neighbourhoods medium term financial plan, and budget proposals for 2020/21. The report has been updated in order to reflect feedback from the January round of scrutiny meetings on the original draft proposals.

For this Committee it should be noted that Community Safety; Parks, Leisure, Youth and Events; and Libraries, Galleries and Culture are under the remit of the Communities and Equalities Scrutiny Committee and will be considered by that Committee. The report should be read in conjunction with the Council's overarching Business Plan report.

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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 and highways
A highly skilled city: world class and home grown talent sustaining the city's economic success	Ensuring residents 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 communities	Creating places where residents actively demonstrate the principles of Our Manchester through participation and take responsibility for 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 and effective use of the highways network; 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 will be considered as part of the City Council preparation of the 2020/21 budget which will be submitted to the Executive on 12th February 2020.

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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.

Growth and Neighbourhoods Budget and Business Planning: 2018-2020 - Executive – 7 February 2018

Neighbourhoods Directorate Business Planning 2019/20 - Executive 13 February 2019

1. Introduction

1.1 This report sets out the proposed 2020/21 revenue and capital budget proposals for the Neighbourhood Directorate. As part of drafting the proposals a comprehensive review has been undertaken across all service areas in order to ensure that the existing budget is realistic and sufficient to ensure that the service area can deliver its objectives in supporting the Council Corporate plan priorities.

1.2 The report also includes those areas of service which are in the remit of Neighbourhood and Environmental Scrutiny Committee but not within the Neighbourhoods Directorate, namely Housing and Residential growth from within the Growth & Development Directorate and details of these areas is set out in section 8 of the report.

1.3 The current budget proposals are a one year budget plan to reflect the Government's Spending Round for local government, although this plan does form part of a longer term budget strategy that seeks to protect front line services. In order to provide this protection, the main areas of review for identification of efficiencies are through either growing the commercial opportunities to increase the levels of income, or improving internal processes to ensure functions are delivered more efficiently.

2. Background and Context

2.1 The Neighbourhood Directorate ("Directorate") has a pivotal role to play in delivering the Council priorities of working with Manchester's communities to create and maintain clean, safe and vibrant neighbourhoods that the citizens can be proud of. In addition to this, Highways service will ensure that there are good connections across the City through good quality roads and the ongoing traffic management.

2.2 The Directorate provides a key role in supporting the broader council priorities as set out in the Corporate Plan. Working collaboratively **with partners to enable people to be healthy, well and safe and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally to deliver new models of care.** Within the city centre both the licensing and out of hours and anti-social behaviour teams are working very closely with the rough sleepers team on an outreach approach **to support better outcomes for those who may be homeless.**

2.3 Libraries, art galleries, leisure centres, parks, play areas,events and youth services all support our **children and young people, to be happy, healthy and successful; fulfilling their potential and contributing to their educational attainment.**

2.4 The Directorate is fully committed **to Zero Carbon Manchester** and to reducing carbon throughout all programmes of work and raise awareness of carbon usage and looking for 'greener' alternatives. Key initiatives include driving forward the introduction of electric fueling infrastructure, plant and equipment for all Council services and ensure all fleet vehicles, including the waste fleet, meet the required emissions standards in preparation of the introduction of the Greater Manchester Clean Air Zone, delivering high quality green and blue infrastructure to reduce atmospheric CO_2 concentration; developing highways improvements to ease congestion contributing to the GM Clean Air plan.

2.5 The Directorate strives to be **well managed, to balance our budgets and to provide additional savings and efficiencies** to support the overall Council budgets. Over recent years we have reviewed our approach to commissioning and contracts, looking for additional commercial opportunities **to increase income.** We are supporting our partners and the broader supply chain, delivering services on our behalf, to explore the added social value they can contribute to the city and ensuring **the growth of the city benefits our residents**. The Directorate also actively supports the Our Transformation programme and embeds the **Our Manchester behaviours** with our staff, partners and residents.

3. Measuring Impact

3.1 In order to facilitate and support the delivery of these priorities for the City and Its residents, the Directorate will continue to address some key challenges. The quality of our highways, number of potholes and gully cleansing remains a priority for our residents and road resurfacing is now happening at a greater scale. We are currently on target to deliver year 3 of the 5 year highway investment programme. In the two and a half years of the investment programme, we have now treated over 1,200 roads and footways comprising over two million square metres. The highways service has gone through a service redesign in 2019/20 and in order to ensure ongoing delivery of the priorities additional staffing capacity has been agreed and the recruitment is currently underway. The years 4 and 5 carriageway and footway resurfacing investment programme are being developed and the sites have been identified and agreed. The additional capacity agreed as part of the service redesign will ensure that there is sufficient internal capacity and there are a number of frameworks available that are currently being re-tendered in order to ensure there is sufficient external capacity.

3.2 Waste and recycling is the largest budget area for the Directorate but we are pleased to have achieved our highest overall levels of recycling (40%) and lowest levels of residual waste over the last 10 years. However, as the City grows this is having an impact on the demand for these services which need to be managed. As part of the proposed 2020/21 budget there is an element of growth included to reflect the growth in the City. We are continuing to improve performance focusing on areas of lowest performance (i.e. recycling in properties with shared communal containers in high density terraced areas and apartments) whilst also working with developers and planning to ensure good recycling facilities are included in the initial design. The City aims to reduce incidents of litter and fly tipping: education, engagement and enforcement remains pivotal in our approach to working with residents and communities. The partnership established with Keep Britain Tidy to deliver the ‘Keep Manchester Tidy’ commitment and a ‘Litter Taskforce’ made up of communities including young people, businesses and public bodies will continue to drive this activity with the Council continuing to take a robust approach to enforcement in order to underpin this approach.

3.3 As part of the 2019/20 budget there was growth of £0.5m approved in order to support activity around further tackling issues of flytipping and working with businesses across the City to improve business waste management practices. This activity is ongoing but the volume of flytipping reports reduced again in October 2019 and remains significantly down on the previous 12 months.

3.4 The Greater Manchester Combined Authority (GMCA) acts as the waste disposal authority and there is an agreed basis for the allocation of all the GMCA’s costs for waste disposal. This is known as the levy allocation management agreement (LAMA) and this was agreed by all authorities in February 2017. The LAMA is used to allocate both the fixed and variable costs of waste collection and management. Following GMCA awarding the new waste contract to Suez in June 2019, it has been necessary to revise the LAMA to reflect the new agreed payment mechanism. A report was taken to December Executive to get City Council endorsement to the new proposed, and this will go to the February meeting of the GMCA for final sign off prior to being implemented from April 2020. There remain significant risks to the value of the levy for future years due to the potential contamination of recyclates streams, stability of recycling markets and potential waste strategy changes (Resources and Waste Strategy for England, 2018).

3.5 Adopting the new LAMA will have minimal impact on the waste disposal costs for Manchester City Council. However, it will bring more certainty to the levy due in a given financial year, with any adjustments for changes to tonnages being made in the following year. The overall financial implications to the levy are set out in section 7.

3.6 Working with our residents to enable them to do more for themselves, prevent problems and tackle complex issues together is a key priority for the Directorate. The Neighbourhood teams have been leading this work, with colleagues in Reform and Innovation, to develop a model: Bringing Services Together for People in Places. This model aims to bring together and better connect workforces from across Early Years, Early Help for children, young people and their families, Neighbourhood Teams, Neighbourhood Policing Teams, Housing Providers and the Local Care Organisation, in 13 neighbourhoods across the city. It aims to join up our resident engagement activity where we can better use our combined collective knowledge and insight and strengthen the role and capacity of our communities. Now the model has been established our priority is to manage the successful delivery, by putting people and places at the centre, to achieve better outcomes for Manchester residents. A review of the current capacity within our Neighbourhood teams will take place, utilising existing resources, to ensure alignment with the neighbourhood model and that sufficient capacity is provided to teams to support the work required for the future.

3.7 Visits to libraries (over 3.4m), galleries (c.624k), and sports and leisure centres (3.47m) over the period October 2018 to September 2019 are all performing above target. Work is continuing to widen participation to ensure that the users of our community services reflect the diverse communities of Manchester. Additionally, we recognise that our world class offer also contributes to the vibrancy of the City and our neighbourhoods. Measures have been put in place over the last 12 months to track progress on these important priorities and a report was provided to Communities and Equalities Scrutiny Committee in November 2019 setting out the progress made over the last year.

3.8 The Commercial Strategy for the Directorate continues to be developed with a focus on increasing income and making more effective use of existing assets. The primary objective has been to offset the costs of providing front line services, such as Parks, which provide essential services and contribute to the vibrancy of neighbourhoods. Work is also planned around developing the commercial strategy in line with the carbon reduction initiatives through the adoption of electric vehicles and associated infrastructure alongside the maximisation of opportunities, such as the Civic Quarter Heat Network, linked to carbon reduction measures.

3.9 There remain a number of challenges within Trading Services which incorporate Markets, Bereavement, Pest Control and School Catering. All of the services have reviewed the cost base and the opportunity to increase fees and charges to cover the annual increases in operating costs and contribute towards other core services. The School Catering Service has been repositioned as a social value proposition, prioritising nutritional standards. The service will continue to use the remaining reserves to minimise proposed meal price increases for 20/21. Pest Control and Bereavement Services have reviewed fees and charges to remove some subsidies and generate additional income. The Markets Service continues to deliver a budget surplus, however, the level of surplus that can be generated is in decline due to the current condition of New Smithfield wholesale market, the declining popularity of the Sunday car boot market and in terms of retail markets the continuing poor performance of Wythenshawe market.

3.10 The Community Safety Team in the Directorate has taken on the additional responsibility of the Channel Coordination Team for Greater Manchester. This function has been transferred to the Local Authority from Counter Terrorism Policing North West as a part of the national ‘Dovetail’ pilot and includes 6 posts to deliver the service across Greater Manchester. The team is funded by the Home Office and the funding is ongoing into 2020/21. A further one off £400k Home Office funding has also been received via Greater Manchester Combined Authority to deliver a violence reduction programme in 2019/20. The programme has been developed in conjunction with colleagues from Manchester Health and Care Commissioning and Children’s services and is on track to deliver in line with the grant conditions.

3.11 The Directorate is on track to deliver the 2019/20 approved savings of £4.951m. As part of the budget preparation work all budgets have been reviewed in order to ensure that they are realistic. As part of this exercise pressures of £0.754m have been identified, and a combination of efficiencies and increased income generation of £2.324m have been identified to offset the pressures and also contribute £1.570m to support the overall Council budget position. The £2.324m will be achieved through a combination of furthering its work on maintaining and increasing income through making best use of our assets and trading services, in addition to finding efficiencies through contract management and looking to replace long term agency staff with permanent posts.

4. Revenue Strategy

4.1 The Neighbourhoods Directorate has a revised gross budget of £166m, and a revised net budget of £98m, with 1,442 full time equivalent employees. The net budget has increased by £2.6m, and this is mainly due to the following adjustments, £1.3m pay inflation to cover the costs of the current years pay award, non pay inflation £0.45m, £0.75m from the waste contingency and £100k other adjustments. The table below provides breakdown by service area, and also sets out both the original and revised budgets for each service area.

Table 1: 2019/20 Base budget

Service Area	**2019/20 Original Gross Budget** £'000	**2019/20 Revised Gross Budget** £'000	**2019/20 Original Net Budget** £'000	**2019/20 Revised Net Budget** £'000	**2019/20 Budgeted Posts (FTE)** £'000
Compliance and Community Safety	15,467	15,800	10,475	10,763	290
Highways	28,224	28,717	15,825	16,006	208
Libraries, Galleries and Culture	12,097	12,767	8,999	9,260	270
Management and Directorate Support	964	1,118	964	1,118	19
Neighbourhood Teams	2,599	2,518	2,481	2,518	52
Commercial and Operations	81,076	82,233	49,119	50,900	527
Other Neighbourhoods	2,082	3,107	476	455	4
Parks, Leisure, Youth and Events	22,861	19,812	7,503	7,475	72
Grand Total	**165,370**	**166,072**	**95,842**	**98,495**	**1,442**

4.2 The revised 2019/20 cashlimit budget is £98.495m and this is net of the £4.951m savings that were approved as part of the 2019/20 budget process. The Directorate is on target to deliver the proposed savings and the directorate is currently forecasting an underspend of £1.586m in 2019/20. This is primarily due to the overachievement of income of £1.257m in Highways and a net underspend on staffing of £329k across the Directorate.

4.3 As part of the 2019/20 budget process additional investment of £1.325m was approved, and work is progressing in ensuring that the investment priorities are achieved, a summary of the progress made during 2019/20 is set out below.

- The £0.5m to tackle and reduce fly tipping issues across the City has been used to provide a combination of target hardening at key hotspots and also increase the resources in order to work better with businesses around waste management.
- £0.675m was approved in order to increase the staff resources within the directorate to provide additional food safety capacity and also increase resources within the Anti Social Behaviour team in order to address the increased number of anti social behaviour cases across the City. It is anticipated that the full benefits of this investment will be realised in 2020/21 once recruitment is fully complete and staff have undertaken all the necessary training.
- £150k additional Youth funding to support the service following the transfer to Neighbourhood Services.

4.4 As part of the budget preparation work staff have been reviewing all budgets in order to ensure that they are realistic and that any pressures are identified. The key areas reviewed have included existing income targets, areas where either service reviews or demographic changes may have impacted upon the budgets.

4.5 As part of the 2019/20 budget process the advertising budgets were consolidated and transferred into Growth and Development Directorate as part of the investment estate. During 2019/20 the Director Commercial and Operations has taken on an increased level of work in terms of looking to manage both the existing contracts and the ongoing procurement exercise and it has been agreed that in order to ensure the Council advertising portfolio is managed effectively, and the maximum returns are achieved then the whole of the advertising portfolio will transfer to the Directorate from 2020/21.

5. Budget Pressures

5.1 As part of the budget preparation work and the review of all budgets **pressures of c£0.754m** have been identified that will need to be considered as part of the overall budget proposals, further detail on the pressures is set out in the paragraphs below.

5.2 **New Smithfield Market (NSM)** is the largest Wholesale Market in the North West and an important regional, sub-regional and local wholesale market. It is a key component of the secondary food supply chain. It currently employs c600 people and generates around £16.3m gross value added to the Manchester economy. A report has been commissioned around the potential redevelopment of the market which is expected to be brought forward for consideration in 2020/21. This would ensure a modern, fit for purpose, facility that can further enhance the economic value of the site. The current wholesale market halls are in a state of disrepair which limits the income generating potential of the site and substantially increases the annual running costs. The forecast gross budget pressure is c£0.504m per annum, it is anticipated that c£87k of this can be mitigated through increased service charge income in 2020/21, this leaves a **net pressure of c£417k**.

5.3 The Sunday morning car boot sale has seen a steady decline in the annual customer footfall in recent years, and this has resulted in 240,000 less customers per year than five years ago. This decline which is reflective of wider societal changes has also seen a reduction in the number of traders, there are currently 160 to 180 market stall traders on any given operating day, although there are 546 trading spaces. The reduction in traders has been dropping consistently over recent years and this has left the market looking sparse in some areas which can result in further decline. Despite this decline the Sunday Car boot market continues to make an overall net surplus and in 2019/20 this is forecast to be c£190k, although this is **c£262k lower than the current approved** budget and it is proposed to mitigate this as part of the current budget proposals.

5.4 The overall performance of the retail markets is positive, with a budget contribution of £0.5m to the Neighbourhood Services net budget. However, this does include a subsidy of c£120k in relation to Wythenshawe market. An economic impact report has been completed in respect of the district retail markets which has identified a number of issues with Wythenshawe, particularly around the location of the current market. These considerations will be taken into account in any plans around the redevelopment of the Town Centre.

5.5 In addition to the pressures above there is a further £75k in relation to the increased costs of the additional canal barriers placed in the city centre to increase public safety and the ongoing costs of **managing and maintaining those barriers (£25k).** During 2019/20 there has been an increased number of protests and marches within the City centre and there has been additional costs of managing the events including **traffic management and increased security (£50k)** it is proposed that both these budgets are made permanent from 2020/21 onwards.

6. Efficiency and Income Generation Proposals

6.1 As part of both the wider Council budget strategy of identifying efficiencies to support the Council budget, and looking to mitigate the identified budget pressures, all budgets have been reviewed in order that any efficiency savings or opportunities for increased income are identified and included for consideration by members. Overall the Neighbourhoods Directorate has identified **proposals amounting to £2.324m** and further details on these proposals are set out below, with table 2 providing an overall summary.

6.2 Compliance - **£105k through additional income** from a combination of proposals that include increasing the fixed penalty for littering and removing the early payment discounts from a range of fixed penalty notices for other environmental offences.

6.3 **Highways Services savings proposals total £1.610m,** and they are made up of: -

- The existing car parking joint venture (JV) which pays the City Council an annual rental for use of the car parks that are included within the JV arrangement. The total rental income received in 2019/20 was £3.8m and under the terms of the contract the annual rental receivable is subject to an annual uplift in line with RPI. Based on the latest estimates the forecast **RPI increase for 2020/21 will be c£300k.**

- Highways service issue permits for a number of uses of the highway, this includes but not limited to the erection of scaffolding, placing of skips, temporary hoardings, it is proposed to increase the permit charges by c3.5% and this will realise **increased external income of c£35k.**

- Capital programmes undertake the design and programme management function for the Highways capital programme and charge fees for the time that is spent on each programme. The fees are charged against the capital programme and it is proposed that as part of the annual review of the fees that increased fee income will increase by £75k 2020/21.

- The Council lease arrangement for the Manchester arena car park expires in March 2020 and it is proposed to not renew the arrangement. The lease currently **costs a net c£1.2m per annum,** and this will be an efficiency saving to theCouncil in 2020/21.

6.4 **Libraries, Galleries and Culture - £97k** of planned savings this is made up of £40k savings from reducing the costs of putting on Gallery exhibitions. This will be achieved through exploring the establishment of a separate wholly owned company who will be able to claim galleries tax relief on the eligible costs. In addition, £57k increased income from printing, increased retail income through the shop, venue hire and donations.

6.5 **Parks, Leisure, Youth and Events - £50k increase** in income including £20k from increased pay and display revenue across the Sport and Leisure Estate and £30k additional income as a result of the commercial strategy at Heaton Park.

6.6 Grounds Maintenance are scheduled to review the existing machinery requirements and through better utilisation of machinery it is forecast that £**20k efficiency** can be achieved

6.7 **Specialist Markets - £86k** from the continuation of the revised operating model at Piccadilly Market which involved opening for an extra day per week for the first half of 2019/20 and then increasing this to an additional two days for the remainder of the year continuing into 2020/21, an increase in pitch fees for 2020/21 and a negotiated reduction in storage costs for markets equipment.

6.8 **Trading Services/Business Units - £112k additional income** with £21k from Pest Control as a result of additional commercial fees and £91k from an overall increase in volume and fees for Bereavement Services.

6.9 Currently all staffing budgets are set based on the salary at the top of grade, with a 2.5% reduction then applied to allow for vacancies and staff turnover. However, underspend against budget may occur where natural turnover is higher than this percentage and/or staff have not yet reached the top of grade. As part of the work to realign budgets and set a realistic staffing budget to meet the likely costs of the approved structures, it is proposed that the approach to budgeting for posts is changed in a small number of discrete service areas. This will enable **£244k of resources to be realigned to offset pressures elsewhere within the service**; but it will not reduce the number of posts established for the service. The position will be retained under review throughout the year, and reviewed annually as part of the budget process.

7. Investment and Other Changes

7.1 Overall investment and other changes amounts to a budget reduction of £3.123m and these changes are shown in both table 3 below with further narrative provided on each of the adjustments in the following paragraphs.

7.2 As part of the 2019/20 approved budget, 3 year funding was approved for additional resources within the anti social behaviour team. 2020/21 will be year 2 of that investment and in order to reflect the full year budget requirements of the increased capacity an increase of £120k is included.

7.3 As part of the move to consolidate all advertising income under the Director of Commercial & Operations in order to maximise the commercial benefits to the Council, the existing approved income budget of £2.363m will be transferred from Growth and Development to the Neighbourhood Service budget. This will become effective from April 1st 2020.

7.4 The 2020/21 waste levy charge from GMCA is to reduce by £1.463m, this is a combination of lower costs of waste disposal following the move to the new arrangements and revised volumes as part of the LAMA arrangement.

7.5 A budget increase of £0.583m has been allowed for in respect of changes to the costs of waste collection and this is made up of £300k to allow for increased costs of collection arising from the growth in households across the City, and £283k to reflect the reduced income because of lower trade waste volumes.

8. Scrutiny Arrangements

8.1 Housing and Residential Growth is within the Growth and Development Directorate but for Scrutiny purposes it falls within the remit of the Neighbourhoods and Environment Scrutiny Committee. The following paragraphs detail the proposals.

8.2 **Housing & Residential Growth** -The service has a gross budget of £3.121m and a net budget of £1.524m, with 33 full time equivalent employees The service is responsible for supporting the development and implementation of the housing strategy across the City, in particular the overall supply including numbers, tenures, safe, secure and affordable housing and supported housing. The service also works with the Registered Housing providers to enable them to deliver the Council's housing and neighbourhood priorities.

8.3 A number of Council housing properties that are managed by Northwards on behalf of the Council have had solar panels installed. The initial investment in the panels was funded by a combination of Government grant and general fund capital resources. These installations provide benefits to the residents in terms of reduced energy bills, and an income stream to the Council in terms of the feed in tariff, providing an **additional £200k per annum income.** This saving is included in the Growth and Development Directorate proposals**.**

Table 2: Efficiency Proposals 2020/21

Service Area	**Description of Efficiency/Increased Income/Realignment**	**Amount £,000**	**FTE Impact** (Indicative)
Compliance and Community Safety	Increase income generation through review of fees and charges across compliance	(105)	0
Highways	Apply the annual Inflationary increase for car parks Joint venture	(300)	0
Highways	Increase permit/license fees (skips, hoardings, scaffold etc) by 3.5%	(35)	0
Highways	Increase capital programme fees by revising fee model	(75)	0
Highways	Cease existing car park lease arrangement	(1,200)	0
Libraries, Galleries and Culture	Galleries exhibition tax relief	(40)	0
Libraries, Galleries and Culture	Increase income generation across libraries and galleries.	(57)	0
Parks, Leisure, Youth and Events	Increase pay and display car park income at Heaton Park	(20)	0
Parks, Leisure, Youth and	Increase income from Heaton Park	(30)	0

Events			
Commercial and Operations	Grounds Maintenance - Rationalisation of machinery	(20)	0
Commercial and Operations	Revised operating model at Piccadilly Market	(86)	0
Commercial and Operations	Increase volume of external commercial income in pest control	(21)	0
Commercial and Operations	Increase volume and fees in Bereavement Services by 3.9%	(91)	0
Directorate Wide	Review of staffing budget below top of grade as appropriate	(244)	**0**
Total Efficiencies		**(2,324)**	**0**

Table 3: Proposed budget 2020/21

Service Area	2019/20 Revised Net Budget £'000	Efficiency & Income Proposals £'000	Budget Pressures £'000	Investment and other changes £'000	2020/21 Net Budget £'000
Compliance and Community Safety	10,763	(349)		120	10,534
Highways	16,006	(1,610)		0	14,396
Libraries, Galleries and Culture	9,260	(97)		0	9,163
Management and Directorate Support	1,118	0		0	1,118
Neighbourhood Teams	2,518	0	25		2,543
Operations and Commissioning	50,900	(218)	679	(3,243)	48,118
Other Neighbourhoods	455	0		0	455
Parks, Leisure, Youth and Events	7,475	(50)	50		7,475
Grand Total	**98,495**	**(2,324)**	**754**	**(3,123)**	**93,802**

9. Capital Strategy / Programme

9.1 The capital programme for the Directorate amounts to £188.8m, this includes the Highways Investment Programme, standalone Highways projects, and programmes for Environment, Leisure and Libraries. A summary of the current proposed capital budget is shown in the table below, and details of the individual projects will be found in the Capital Strategy and Budget report for Executive in February:

Table 4: Capital Programme 2019/20 Onwards

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Future Years £m	Total £m
Highways	55.4	58.8	24.6	0.0	0.0	**138.8**
Environment	2.6	5.0	0.0	0.0	0.0	**7.6**
Leisure	5.5	11.1	17.1	3.9	2.9	**40.5**
Libraries	0.5	0.6	0.8	0.0	0.0	**1.9**
Total	**64.0**	**75.5**	**42.5**	**3.9**	**2.9**	**188.8**

9.2 During the 2019/20 financial year to date, works on the Highways Investment programme have continued, with maintenance, drainage, resurfacing and gulley works ongoing. A number of walking and cycling schemes are being brought forward, utilising external funding. Similarly, new proposals for works to the Aquatics Centre and the National Cycling Centre are currently being drafted.

9.3 The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive will provide information on the expected future investment requirements for the Council, for example in the leisure and library estate, and to support the drive to reducing the Council's carbon output.

10. Workforce

10.1 The framework for how the Council supports its workforce is set out in the People Strategy. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the agreed priorities, budget and workforce implications agreed last year.

10.2 Key workforce priorities for 2020/21 will include:

- The detailed staff survey (BHeard) results are due to be released in late January and once available, the Directorate will review the outcome in order to identify actions to be taken in order to help to build on the strong and positive relationship between staff and managers.

- The Directorate will continue to offer apprenticeship opportunities to internal staff and external applicants wherever suitable in order to facilitate skills development, succession planning and to maximise spend of the apprenticeship levy. Apprenticeships also provide greater accessibility to many local residents who may otherwise have barriers to accessing the employment market.

10.3 There are no further implications for the workforce arising from what is set out in this report.

11. Equalities

11.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases within the Directorate to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

12. Risk Management

12.1 The Directorate will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

13. Legal

13.1 There are no legal implications arising from this report.

14. Conclusion

14.1 The budget strategy provides information on the work that has been undertaken and is ongoing within the directorate to both ensure that we are able to meet the existing budget pressures, whilst also contributing savings towards the wider council budgets.

14.2 The proposed revenue budget for 2020/21 is a one year budget which is aligned to both the Governments one year budget settlement and the Council one year budget proposals.

14.3 The budget proposals in this report reflect the initial feedback from the January round of scrutiny meetings and following February scrutiny meetings updated final budget proposals will be submitted to Executive on February 12th for approval.

Appendix 1 - Delivery Plans

1. Revenue Financial Plan

Subjective Heading	2019-2020 Budget £'000	2020-2021 Indicative Budget £'000
Expenditure:		
Employees	50,497	50,635
Running Expenses	122,268	120,202
Capital Financing Costs	4,462	4,462
Contribution to reserves	3,946	3,946
Total Subjective Expenditure	**181,173**	**179,245**
Less:		
Other Internal sales	(14,903)	(15,041)
Gross Expenditure	**166,270**	**164,204**
Income:		
Government Grants	(4,178)	(4,178)
Contributions from Reserves	(14,459)	(15,159)
Other Grants Reimbursements and contributions	(5,100)	(5,100)
Customer and Client Receipts	(44,035)	(45,962)
Other Income	(3)	(3)
Total Net Budget	**98,495**	**93,802**

Manchester City Council
Report for Information

Report to: Economy Scrutiny Committee - 6 February 2020
Executive – 12 February 2020

Subject: Growth and Development Budget Report 2020/21

Report of: Strategic Director, Growth and Development

Summary

This report provides a further updated Growth & Development medium term financial plan, and budget proposals for 2020/21. The report has been updated in order to reflect feedback from the January round of scrutiny meetings on the original draft proposals.

The report should be read in conjunction with the Council's overarching Business Plan report

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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 home grown talent sustaining the city's economic success	Supporting 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. Work and Skills are supporting the Manchester College to develop a City Centre campus to deliver higher level skills required by the City's growth sectors. Manchester Adult Education are 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 communities	Creating places where residents and partners actively demonstrate the principles of Our Manchester. Providing opportunities for our residents furthest from the labour market to access work, skills & progression opportunities.
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 2038.
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 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 will be considered as part of the City Council preparation of the 2020/21 budget which will be submitted to the Executive on 12th February 2020.

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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.

Strategic Development Budget and Business Planning: 2018-2020 - Executive – 7 February 2018

Strategic Development Business Planning 2019/20 - Executive 13 February 2019

1 Introduction

1.1 This report provides the proposed 2020/21 revenue and capital budget proposals for the Growth and Development Directorate. The majority of the Growth & Development budget will be considered by this Committee, but members should be aware that the Operational Property, Facilities management service and investment estate budgets are to be considered by Resources & Governance Committee.

1.2 This report also includes those areas of service which are within the remit of Economy Scrutiny Committee but not within the Growth and Development Directorate, namely business units from Neighbourhood Service and details of this area is set out in section 4 of this report.

1.3 As part of preparing the proposals a comprehensive review has been undertaken across all service areas in order to ensure that the existing budgets are realistic and sufficient to ensure that the service area can deliver its objectives in supporting the City Council Corporate plan priorities. Where pressures have been identified, work has been undertaken to identify mitigation from within existing budgets and details are included within the report.

1.4 The Growth and Development Directorate budget strategy is a continuation of the preceding three-year budget strategy, whereby officers will continue to seek to manage budget pressures whilst ensuring all income generation is maximised to support the wider Council budgets.

1.5 The current budget proposals are a one-year budget plan to reflect the Government's Spending Round for local government, although this plan does form part of a longer term budget strategy that seeks to protect front line services. In order to provide this protection, the main areas of review for identification of efficiencies are through either growing the commercial opportunities to increase the levels of income, or improving internal processes to ensure functions are delivered more efficiently.

2 Background and Context

2.1 The Growth and Development Directorate ("Directorate") has a pivotal role in driving the **sustainable economic growth of the city** by securing new commercial development, attracting inward investment and generating employment growth across the city. The Directorate is delivering the City Council's Residential Growth Strategy which underpins 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. The planning, building control and licensing functions further enhance the strategic planning and place shaping function.

2.2 The Work and Skills and Adult Education services ensure that **Manchester residents directly benefit from the economic growth and development of**

the city and associated jobs creation. The Directorate also works with a range of stakeholders to enable people to better support their **children's learning, fulfilling their potential** and to be active citizens contributing in their communities. For an increasing number of residents, this means support to manage the impact of welfare reform and transition to universal credit.

2.3 The Directorate has the central role in **ensuring the delivery of the right mix of safe, secure and affordable housing for Manchester residents to have a good choice of safe and secure homes: We will accelerate and sustain the delivery of more housing, including enough which is affordable for our residents on low and average incomes** and will intervene, where necessary, to speed up the delivery of housing across the city, including developing homes ourselves.

2.4 The Directorate recognises that we have a responsibility to support some of our most vulnerable residents, those at risk of, or **experiencing homelessness, and we are dedicated to enabling better housing options and better outcomes**. The recent review of the Housing Allocations Scheme was undertaken to ensure that the correct level of rehousing priority is given to vulnerable people.

2.5 The Directorate also works directly with colleagues in the Neighbourhood Directorate in the planning and delivery of new **neighbourhoods** making sure these meet the needs of our diverse and complex communities. We work proactively in partnership with businesses, residents and partners to make sure our developments meet local needs to deliver neighbourhoods people want to live in and are designed to enable quality neighbourhood management services (such as waste collections and recycling).

2.6 As the Directorate with the key role for creating places where people will live or work our developments must consider the impact on **highways, public transport and digital connectivity**. Through working with partners both internally and externally we will seek to maximise the impact of the provision of new and enhanced physical and digital infrastructure such as good local, regional, national and international transport connections, bus reform, Metrolink expansion, and new walking and cycling infrastructure, within the framework of the refreshed City Centre Transport Strategy and emerging Clean Air Strategy.

2.7 Supporting Manchester's commitment to be a zero carbon city by 2038 is a priority for the directorate by reducing the Council's direct CO2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings. The Directorate will also use its influence and leadership role across the city to encourage others to reduce CO2 emissions in industry, commercial and residential sectors through developing planning policy and influencing contractors through procurement and commissioning arrangements.

2.8 The Directorate strives to be **well managed, to balance our budgets** and to provide additional efficiencies and **increase income** from the Council's property portfolio to help underpin the council's budget.

2.9 The Directorate also actively supports the Our Transformation programme through the ongoing review and rationalisation of our operational estate from which the council delivers its services. We constantly review our operational estate to ensure the Directorates have the right building assets to deliver quality services and the Corporate Plan. We also actively encourage our teams to work differently, and in an agile and flexible way as part of demonstrating our commitment to Our Ways of Working.

2.10 The **Our Manchester behaviours** are at the heart of how we work. As a Directorate we are committed to put people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries. We are committed to listening, then learning, then responding to the needs of our residents and creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. We are committed to working together more, by building long term relationships and having honest conversations which provides both those who need services and those who provide them with a say in the delivery of services and a role in delivering the services.

3 Revenue Strategy

3.1 The Directorate has a revised gross budget of £58.1m, and a revised net budget of £5.816m with 654 full time equivalent employees. The table below provides a breakdown by service area:

Table 1: 2019/20 Base budget

Service Area	2019/20 Gross Budget (Original) £'000	2019/20 Net Budget (Original) £'000	2019/20 Gross Budget (Revised) £'000	2019/20 Net Budget (Revised) £'000	2019/20 Budgeted Posts (FTE)
Operational Property	12,081	7,076	12,460	7,209	34
Facilities Management	13,554	9,025	13,311	9,100	176
Investment Estate	7,551	(13,990)	7,631	(13,830)	28
Growth & Development	1,763	324	982	161	3
City Centre Regeneration	1,213	425	790	510	10
Housing and Residential Growth	3,474	1,577	3,421	1,524	33

Planning, Building Control and Licensing	8,189	(620)	7,282	(605)	132
Work and Skills and MAES	14,918	1,723	12,305	1,747	235
Grand Total	**62,743**	**5,540**	**58,182**	**5,816**	**651**

3.2 The 2019/20 cash limit budget is £5.816m. This is net of the £1.020m increased income approved as part of the 2019/20 budget process. The Directorate is on target to deliver the increased income and the Directorate is forecasting a breakeven position in 2019/20.

3.3 The subjective breakdown of the Directorate budget is provided at Appendix 1, this includes c£10.5m of Government Grants and these are the Government Grants that fund Manchester Adult Education Service.

3.4 Following a review of all Growth and Development budgets, efficiency proposals (including additional income) of £1.695m have been identified over the next three years, of which c£0.990m is proposed for 2020/21. Against this, there are known pressures of c£455k for 2020/21 of which £300k is proposed to be mitigated from within the identified efficiencies, and £155k is to come from Corporate resources. This leaves a net £0.690m contribution towards supporting wider Council priorities. Further details on both the identified pressures and proposed 2020/21 efficiencies/additional income are set out in the paragraphs which follow.

Budget Pressures

3.5 Following a procurement exercise a new contractor (Engie) was appointed to undertake the repairs and maintenance contract for the Council's Corporate Estate. As part of the initial mobilisation arrangements there have been some additional transitional costs of c£300k, although the contractor is continuing to look for ways of reducing this cost it is expected that these costs will continue during 2020/21. It is proposed that the additional costs will be funded from within the existing facilities management budgets, and virements will be undertaken to ensure budgets are correctly aligned.

3.6 Lloyd St toilets are the City Council only owned public toilets within the City centre and in order to ensure there is 24/7 facilities available within the city centre and to support the homeless agenda it has been agreed that Lloyd St toilets will be opened. In order to facilitate the longer opening hours it was recognised that additional security would be required and the forecast cost of this is £155k per annum. The part year costs in 2019/20 have been met from within existing budgets, but as part of the budget proposals additional investment of £155k from Corporate resources is proposed to be used to fund the ongoing costs in future years.

Efficiency/Income Growth Proposals

3.7 Manchester Airport Group (MAG) approached the Council in 2018 with a proposal to re-gear part of the main Airport leases in respect of their non-core investment assets and any increase in lease income is shared with the Greater Manchester districts. In order to facilitate this, it is proposed that the Council grant a lease of these assets for a term of 275 years that will be on standard commercial terms capable of attracting investment to the assets. The grant of this lease has a significant value and the ground rent has been assessed at £0.603m per annum and agreed between the parties. **The additional income due to the Council will be £340k per annum.**

3.8 The Council has been in commercial negotiation around leasing a currently vacant Council asset to new occupiers, it is expected that the annual lease income for these premises will be around **£300k per annum**, but because it is anticipated that new occupier will only take up the space around September 2020 there is currently **only £150k assumed in 2020/21** with a further £150k to be realised in 2021/22.

3.9 A number of Council housing properties that are managed by Northwards on behalf of the Council have had solar panels installed. The initial investment in the panels was funded by a combination of Government grant and general fund capital resources. These installations provide benefits to the residents through reduced energy bills, and an income stream to the Council in terms of the feed in tariff, providing an **additional £200k per annum income**.

3.10 As referenced at 3.4 above in order to meet the additional £300k costs of the transitional facilities management staffing costs, budgets of £300k will be identified from within existing facilities management budgets.

3.11 As part of the move to consolidate all advertising in order to maximise the commercial benefits to the Council it is proposed to transfer the service from within the Investment estate to the Neighbourhood Service under the Director of Commercial & Operations. The existing approved income budget of £2.363m will be transferred from Growth and Development to the Neighbourhood Service budget and this will become effective from April 1st 2020.

Table 2: Proposed budget 2020/21

Service Area	2019/20 Revised Net Budget £'000	Savings / Income Options £'000	Investment and other changes £'000	2020/21 Net Budget £'000
Operational Property	7,209			7,209
Facilities Management	9,100		155	9,255

Investment Estate	(13,830)	(490)	2,363	(11,957)
Growth and Development	161			161
City Centre Regeneration	510			510
Housing and Residential Growth	1,524	(200)		1,324
Planning, Building Control and Licensing	(605)			(605)
Work and Skills and Manchester Adult Education Service (MAES)	1,747			1,747
Grand Total	**5,816**	**(690)**	**2,518**	**7,644**

4 Scrutiny Arrangements

4.1 As part of looking to support scrutiny committee with their roles all service areas from across the Council under the remit of each scrutiny panel have been included in one overall report.

4.2 This section includes both the background and proposed budget changes for business units which do not sit within the Directorate but which form part of the remit for the Economy Scrutiny Committee. Budget changes arising from business units are not included in the Directorate summary in table 2 above, but will be included within the Neighbourhood Directorate tables.

4.3 **Business Units** has a revised gross budget of £23.677m and a net budgeted contribution of (£3.053m), and there are 414 ftes. Business Units includes the following trading services Bereavement, Markets, Fleet, Pest Control and Manchester Fayre. There are pressures of £0.679m identified within business units, these are mainly around lower than forecast income in Markets and efficiencies of £218k, arising through increased income. Further details are provided below in para 4.4 - 4.9 around both pressures and operational efficiencies and increased income from Business units.

4.4 **New Smithfield Market (NSM) is** the largest Wholesale Market in the North West and an important regional, sub-regional and local wholesale market. It is a key component of the secondary food supply chain. It currently employs c600 people and generates around £16.3m gross value added to the Manchester economy. A report has been commissioned around the potential redevelopment of the market which is expected to be brought forward for consideration in 2020/21. This would ensure a modern, fit for purpose, facility that can further enhance the economic value of the site. The current wholesale market halls are in a state of disrepair which limits the income generating potential of the site and substantially increases the annual running costs. The forecast gross budget pressure is c£0.504m per annum, it is anticipated that c£87k of this can be mitigated through increased service charge income in 2020/21, this leaves a **net pressure of c£417k**.

4.5 The Sunday morning car boot sale has seen a steady decline in the annual customer footfall in recent years, and this has resulted in 240,000 less customers per year than five years ago. This decline which is reflective of wider societal changes has also seen a reduction in the number of traders, there are currently 160 to 180 market stall traders on any given operating day, although there are 546 trading spaces. The reduction in traders has been dropping consistently over recent years and this has left the market looking sparse in some areas which can result in further decline. Despite this decline the Sunday Car boot market continues to make an overall net surplus and in 2019/20 this is forecast to be c£190k, although this is **c£262k lower than the current approved budget** and it is proposed to mitigate this as part of the current budget proposals.

4.6 The overall performance of the retail markets is positive, with a budget contribution of £0.5m to the Neighbourhood Services net budget. However, this does include a subsidy of c£120k in relation to Wythenshawe market. An economic impact report has been completed in respect of the district retail markets which has identified a number of issues with Wythenshawe, particularly around the location of the current market. These considerations will be taken into account in any plans around the redevelopment of the Town Centre.

4.7 Grounds Maintenance are scheduled to review the existing machinery requirements and through better utilisation of machinery it is forecast that **£20k efficiency** can be achieved.

4.8 **Specialist Markets - £86k increased** income from the continuation of the revised operating model at Piccadilly Market which involved opening for an extra day per week for the first half of 2019/20 and then increasing this to an additional two days for the remainder of the year continuing into 2020/21, an increase in pitch fees for 2020/21 and a negotiated reduction in storage costs for markets equipment.

4.9 **Trading Services/Business Units - £112k additional income** with £21k from Pest Control as a result of additional commercial fees and £91k from an overall increase in volume and fees for Bereavement Services.

5 Capital Strategy / Programme

5.1 The capital programme for Strategic Development totals £630.1m over the period 2019/20 -2023/24, this includes the cultural programme, the Town Hall refurbishment, funding to support the Council's corporate property, regeneration/development funding, and private sector housing. A summary of the current capital budget is shown in the table below, and details of the individual projects will be found in the Capital Strategy and Budget report for Executive in February:

Table 4: Capital Programme

	2019/20 £m' s	2020/21 £m's	2021/22 £m's	2022/23 £m's	Future Years £m's	Total £m's
Culture	30.1	55.7	13.7	-	-	99.5
Our Town Hall	17.0	49.1	92.7	99.3	34.7	292.8
Corporate Property	18.2	33.4	21.4	0.7	-	73.7
Regeneration/ Development	42.5	29.9	18.8	13.5	-	104.7
Private Sector Housing	10.3	22.6	15.0	3.5	8.0	59.4
Grand Total	**118.1**	**190.7**	**161.6**	**117.0**	**42.7**	**630.1**

5.2 During the 2019/20 financial year the new Hulme District Office has opened, and work on the refurbishment of Alexandra House has begun. Work on the Factory site is continuing, and the Town Hall project is close to achieving notice to proceed. Both groundworks and construction of the engine room for the Civic Quarter Heat Network have started, and negotiations on the land assembly strategy for the Northern Gateway have progressed.

5.3 The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive will provide information on the expected future investment requirements for the Council, for example in regard to the commitment to deliver new affordable housing stock, to continue to pursue inclusive growth across the City, and to focus future investment to ensure that the corporate estate is fit for purpose.

5.4 Work is continuing on reviewing both the capital strategy and proposed budget for 2020/21 onwards, and the outcome of this work will be included in the February scrutiny paper.

6 Impact on Workforce

6.1 The framework for how the Council supports its workforce is set out in the People Strategy. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the previously agreed priorities. Recruitment is underway for the additional capacity in housing and planning that was approved as part of the 2019/20 budget. There are no further implications for the workforce arising from what is set out in this report.

6.2 Key workforce priorities for 2020/21 will include:

- The detailed staff survey (BHeard) results are due to be released in late January 2020 and once available, the Directorate will review the outcome in order to identify actions to be taken in order to help to build on the strong and positive relationship between staff and managers.

- The Directorate will continue to offer apprenticeship opportunities to internal staff and external applicants wherever suitable in order to facilitate skills development, succession planning and to maximise spend of the apprenticeship levy. Apprenticeships also provide greater accessibility to many local residents who may otherwise have barriers to accessing the employment market.

7 Equality, Diversity and Inclusion

7.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

8 Risk Management

8.1 The Directorate will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

9 Legal

9.1 There are no legal implications arising from this report.

10 Conclusion

10.1 The budget strategy provides information on the work that has been undertaken, and is ongoing within the Directorate to ensure that we are able to meet the existing budget pressures, whilst also contributing efficiencies towards the wider council budgets.

10.2 The proposed revenue budget for 2020/21 is a one year budget which is aligned to both the Governments one year budget settlement and the City Council one year budget proposals.

10.3 The budget proposals in this report reflect the initial feedback from the January round of scrutiny meetings and will be submitted to the 12 February 2020 Executive for approval

Appendix 1 - Delivery Plans

1. Revenue Financial Plan

Subjective Heading	2019/20 Revised Budget £'000	2020/21 Indicative Budget £'000
Expenditure:		
Employees	23,898	23,898
Running Expenses	37,015	37,170
Capital Financing Costs	0	0
Contribution to reserves	266	266
Total Subjective Expenditure	**61,179**	**61,334**
Less:		
Other Internal sales	(6,020)	(6,020)
Gross Expenditure	**55,159**	**55,314**
Income:		
Government Grants	(10,566)	(10,566)
Contributions from Reserves	(8,523)	(7,823)
Other Grants Reimbursements and contributions	(44)	(44)
Customer and Client Receipts	(30,122)	(29,149)
Other Income	(88)	(88)
Total Net Budget	**5,816**	**7,644**

Manchester City Council
Report for Resolution

Report to: Resources and Governance Scrutiny - 4 February 2020
Executive - 12 February 2020

Subject: Corporate Core Budget Report 2020/21

Report of: Deputy Chief Executive and City Treasurer, and City Solicitor

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Summary

This report provides a further updated Corporate Core medium term financial plan and budget proposals for 2020/21, and the report has been updated to reflect feedback from the January round of scrutiny meetings. The report should be read in conjunction with the Council's overarching Business Plan report.

Recommendation

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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 European Union exit process with government
A highly skilled city: world class and home grown talent sustaining the city's economic success	Lead on key programmes of reform such as work and health, providing support and 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 prioritisation of investment in low carbon initiatives and leading the city's zero carbon ambitions and declaration of the climate

	emergency.
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 Greater Manchester 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 will be considered as part of the City Council preparation of the 2020/21 budget which will be submitted to the Executive on 12th February 2020.

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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.
Corporate Core Budget and Business Planning: 2018-2020 - Executive – 7 February 2018
Corporate Core Business Plan 2019/20 - Executive 13 February 2019

1. Introduction

1.1 This report provides the draft 2020/21 revenue and capital budget proposals for the Corporate Core. The proposed budget includes the outcome of a comprehensive review across all service areas in order to ensure that the existing budgets are realistic and sufficient to ensure that the service area can deliver its objectives and deliver the Corporate Plan priorities.

1.2 The report also includes those areas of service which are in the remit of Resources and Governance Scrutiny Committee but not within the Corporate Core, namely operational property, facilities management and the investment estate from within the Growth and Development directorate and details of these areas are set out in section 4 of this report.

1.3 This report presents a one year budget plan to reflect the Government's Spending Round for local government, it is in effect a roll forward budget from 2019/20, although a longer term budget strategy is being developed that will ensure that Corporate Core services are delivered as efficiently and effectively as possible in order to protect the delivery of front line services.

2. Background and Context

2.1 The Corporate Core plays a key role in supporting the delivery of the Our Manchester Strategy and all eight Corporate Plan priorities, through providing a range of universal services, services which enable the wider organisation to function effectively and through specific and focused support to other parts of the Council to deliver the Corporate Plan.

2.2 This includes supporting relationships with a wider range of key partners across Manchester, Greater Manchester, nationally and internationally to enable delivery of all of **Our Corporate Plan priorities** and the wider vision for the city.

2.3 The Core has a direct delivery role in delivering our Corporate Plan **'well managed council'** priority theme. This is both through the provision of front line universal services and through providing effective support services.

2.4 The key universal services include:

- Revenue and Benefits
- Customer Contact Centre
- Shared Service Centre
- Coroners
- Registrars

2.5 The Core has a strategic role to work with directorates across the Council and key partners to drive delivery of our key priorities in the corporate plan, including:

- Manchester's approach to place-based reform - Bringing Services Together for People in Places

- Integration of Health and Social Care through partnership arrangements with the NHS
- Delivery of the Local Industrial Strategy which will deliver inclusive and green growth for the city of Manchester
- Delivery of Our Transformation - a new Council-wide portfolio of programmes which has been set up with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a ‘well managed council’
- Continuing to ensure that the ‘Our Manchester’ approach is the way we do things here, rather than a thing we do
- Leadership for the Council’s action plan to being zero carbon by 2038 at the latest, and support arrangements with partners to meet the city’s ambition to live within the science-based carbon budget and be zero carbon by 2038 at the latest

2.6 The Corporate Plan priority of being a ‘well managed Council’ has the following priorities in the draft 2020/21 Council Business Plan:

Delivery of ‘Our Transformation’

- Continue to deliver Our Transformation through strengthening accountability and the role of our managers, improving our ways of working including the introduction of key new ICT infrastructure, improving our processes and developing a longer term model for the core, leading to efficiencies
- Continue to deliver the strategic vision for the city by collaborating with internal and external partners to: create new strategies and policies; attract funding and resources; implement complex projects and programmes; and create effective strategic partnerships.
- Drive service reform across the Council and with partners and residents

Delivery of High Quality Support Services

- Provide financial support, insight and intelligence to maximise budgets and deliver on the Council’s priorities
- Promote information as an asset working with stakeholders to recognise the importance of data and intelligence in decision making and development of service provision.
- Drive the Our People Delivery Plan, in particular work to:
    - Reduce sickness absence levels
    - Develop a more diverse workforce, at all levels, particularly in relation to Black, Asian and Minority Ethnic (BAME) and Disability representation
    - Support health and social care workforce integration and the Manchester Locality Workforce Plan
    - Create a strengthened approach to development, talent management and succession planning
- Support and enhance the reputation of the Council, through effective strategic communications, professional executive support for the Chief Executive and Senior Management Team and successful civic and ceremonial events and programmes.

- Provide stable, scalable, secure and resilient ICT services, including migration to the new data centre
- Deliver innovation and excellence in public sector legal services that provides value for money
- Provide a first class procurement service to the council and its partners, from supporting services in the upfront design to delivering successful contract awards
- Deliver key Corporate Estates projects and programmes including the refurbishment at Alexandra House, the refurbishment of Hammerstone Road, the Gorton Hub, the Asset Management Programme and support the Town Hall Project 19/20

Front Line Service Delivery

- Deliver all statutory services related to the registration of births, deaths and marriages and Coroner Services, and to meet the required statutory and non statutory targets.
- Deliver effective and efficient customer services and develop effective online systems which enhance the customer experience and support channel shift towards digital services where appropriate
- Provide support to residents and maximise the collection of money owed to the Council and manage the expected reduction in new claims and caseload driven by Universal Credit

2.7 In order to support the Corporate Core in the delivery of the Corporate Plan and the above priorities there are a number of proposals for both investment and use of resources included for consideration by Members and these are detailed below at section 5.

3. Revenue Strategy

3.1 For 2019/20 the latest gross budget is £309.507m, with a net budget of £69.554m, and 1,823 full time equivalent employees. The table below provides a breakdown by service area and includes the movement from the original budget to revised budgets.

3.2 The main movements in gross budget are in respect of revenue and benefits and the allocation of cross cutting savings across service areas. The revenue and benefits movement in gross budget is due to the forecast reduction in numbers of claimants for rent allowances as people transition over to Universal Credit.

3.3 The Corporate Core revised net budget has increased by c£2.8m, and this is due to the allocation of £1.8m contingency budgets to meet the costs of the agreed pay award, £150k from non inflationary pay to meet increased Coroners costs, £0.840m virements to offset the Cross Cutting savings and a net £10k other minor adjustments.

Table 1: 2019/20 Budget

Service Area	2019/20 Original Gross Budget £'000	2019/20 Original Net Budget £'000	2019/20 Revised Gross Budget £'000	2019/20 Revised Net Budget £'000	2019/20 Budgeted Posts (FTE)
Legal Services	11,565	6,243	12,040	6,455	261.8
Elections	1,146	1,047	1,162	1,064	12.3
Coroners and Registrars	2,994	1,728	3,204	1,897	56.0
Executive	1,029	1,029	979	979	12.5
Communications	4,851	3,026	4,784	3,108	83.4
CEX Corporate items	2,271	1,627	2,152	1,358	0
Procurement and Commissioning	1,612	1,311	1,635	1,339	31.7
Revenue and Benefits	246,924	9,926	211,209	10,026	345.3
Financial Management	5,680	5,285	5,926	5,424	150.3
ICT	13,483	13,433	13,625	13,575	160.8
HR/OD	4,644	4,454	4,715	4,525	93.2
Audit, Risk and Resilience	1,732	1,399	1,847	1,434	42.8
Shared Service Centre	1,427	772	1,518	863	92.7
Capital Programmes	274	(199)	360	(113)	90.1
Corporate Services Corporate Items	381	314	550	256	0
Customer Services	4,108	4,007	4,267	4,198	175
Commercial Governance	469	246	475	252	6
Decriminalised Parking Enforcement	10,864	(649)	10,864	(649)	18
Bus Lane Enforcement	6,376	(334)	6,582	(334)	18
Policy, Partnership, Research and Culture	16,731	9,148	16,658	9,215	57.5
Performance, Research and Intelligence	4,536	4,404	4,667	4,535	101.2
Reform and Innovation	1,179	902	961	820	15
Cross Cutting Savings	(2,447)	(2,447)	(673)	(673)	0
Grand Total Corporate Core	**341,829**	**66,672**	**309,507**	**69,554**	**1,823**

3.4 The revised 2019/20 cash limit budget is £69.554m and this is net of £3.349m savings that were approved as part of the 2019/20 budget process. The Directorate is on target to deliver the proposed savings and is forecasting an underspend of £2.306m in 2019/20. The primary reason for the underspend is from employee related budgets, due to a combination of staff not being at the top of grade and vacancies across the service along with the timing of recruitment and whether this has been internal or external. As part of the budget proposals within this report, a detailed analysis of the existing staffing budgets and the options available to review these to better reflect the staffing budget requirements has been undertaken. This will ensure all budgets are more realistic with expected activity; the outcome is set out in paragraph 3.9 below.

3.5 The subjective budget breakdown for the Core is provided at Appendix 1, this includes c£183m of Government Grants and this relates to the Government funding for Housing Benefit expenditure.

3.6 As set out above the report sets out a one year budget for 2020/21, however, the longer term implications have been considered and these will be reflected in the Medium Term Financial Plan.

3.7 As part of the work undertaken to review all Corporate Core budgets a **net total of £0.577m** has been identified that can support the wider Council budgets.

Efficiency Proposals

3.8 The work that has been undertaken to identify budget options for 2020/21 has included the following strands:-

- A review has been undertaken of all Corporate Core staffing budgets in order to ensure that they are more reflective of the likely staffing costs.
- All heads of service have been reviewing their budgets as part of the Our Transformation work which has included consideration of how efficiencies and service improvement can be achieved through looking at options for how services are delivered.
- All Corporate budgets have been reviewed to identify opportunities whereby existing budgets can be revised in order to contribute to the overall Council budget position. There is a section on corporate budgets later in this report.

3.9 All staffing budgets have been reviewed across each service area looking at spend across the past three years. Currently staffing budgets are set using the top of each grade for all posts, and a percentage allowance reduction is made to reflect the anticipated turnover in staffing throughout the year. Based on the historic turnover it is proposed to introduce variable turnover allowances for individual services. The proposed percentages will vary from 2.5% to 6%. The overall savings proposed following this review is £0.801m from across the services in the Core.

Service Area	Vacancy Factor % increase
Policy, Partnership, Research & Culture	2%
Revenues and Benefits	2%
Performance, Research & Intelligence	2%

Communications	1%
ICT	1%
HR/OD	2%
Shared Service Centre	2%
Customer Services	2%
Audit	1%

Other work to identify efficiencies has been carried out as follows:

3.10 Revenues and Benefits and the Shared Service Centre - As part of the continued roll out of Universal credit and the increasing amount of administration that will be undertaken by the Department for Works and Pensions, as well as increasing requirements supporting the Council's strategic agenda including homelessness and the funding of supported housing and HB subsidy maximisation, a review of the existing capacity within the Revenues and Benefits Service is to be undertaken, taking into account the particular challenges associated with welfare reform policy roll out and changes. This will look to strengthen resources in some technical areas and reduce benefits processing resources in line with the reduced demand following the roll out of Universal Credit. A review of resources will also be undertaken with the Customer Service Organisation and the Shared Service Centre. From consideration of existing vacancies and the changes in workload the target is to achieve **savings of £400k b**y 1 April 2020 from across all three services.

3.11 Schools particularly those converting to academies are undertaking more functions in-house such as recruitment, payroll and out-of-hours alarm monitoring. Whilst this has reduced the income to the council of £290k the Shared Service Centre has seen an increase in the technical advice it provides such as pensions and has therefore not been able to reduce resources to mitigate the income pressure.

3.12 The net position for Revenues and Benefits including the vacancy factor will be **£0.547m efficiency contribution** towards the overall council budget.

3.13 *Human Resources and Organisational Development (HROD)* - Human Resources currently undertake large amounts of data analysis in order to provide management information and prepare reports. Performance, Research and Intelligence (PRI) currently undertake this work for the rest of the Corporate Core and it is proposed to transfer the responsibility for this work to PRI which will also **achieve a net efficiency of £50k.**

3.14 As part of the three year 2017/20 budget strategy £3m savings were proposed from revisions to the Council’s human resources policies, the changes were cross cutting across all departments. To date over £2.9m of savings have been delivered, and areas reviewed have included review of travel arrangements, the introduction of annual leave purchase scheme and reviewing of all vacant posts. There is a **small balance of c£96k** that is still to be achieved. As part of the HROD cross cutting savings the option for staff to purchase additional leave was introduced and an initial savings target of £200k was approved in 2017/18. Due to the higher than forecast take up of the annual leave purchase scheme the target is exceeded annually by over £100k. It is proposed to **increase the annual budget for annual leave purchase by £96k** which will enable the final balance of the cross cutting saving to be achieved.

3.15 *PRI, City Policy and Reform & Innovation* **-** The services have been brought together under the leadership of the Director of Policy, Performance and Reform. As a result work has been carried out to consider how the functions can work more effectively together. The work and closer alignment of their workloads will enable a number of existing vacancies to be deleted to achieve **savings of £125k** against staffing budgets.

3.16 *Communications* **- £18k net savings** have been achieved through reviewing existing vacancies which will enable two posts to be deleted (£50k) and following the resignation of the former Director of Communication the proposed redesign of the senior structure will realise a further £18k. In addition, the current intranet is over 12 years old and does not provide staff with the necessary functionally and access to information. As part of the ICT investment strategy a procurement exercise has been undertaken for a new cloud hosted solution that will offer improved, intuitive functionality with universal access to all staff and partner organisations. As part of ensuring the new intranet is maintained there are increased annual ongoing running costs of c£50k and it is proposed that this will be met from the service efficiencies leaving a net saving of £18k.

3.17 *ICT* has delivered £1.140m of savings over the last two years and there are further proposed savings of £260k identified. This is because of the change in how the data centre operation will function in future years and the reduced associated annual running costs. It is proposed that rather than deliver saving to the revenue budget the £260k will be used to offset both the existing £1m income target from staff time charged against capital projects (£120k) and potential increased costs of licenses that are anticipated due to the move from on premise to cloud based, and the proposed changes to the collaboration platform (£140k). This will help ensure that the costs of delivering the capital investment programme are minimised and the ICT structure is sustainable in the longer term.

3.18 *Capital Programmes* are looking at opportunities for collaborating with other Local Authorities in order to help strengthen the capacity for delivery, and help share some specific resources. It is anticipated that this will save **£50k through the sharing of management costs and other overheads.**

3.19 *Commissioning and Procurement* - As part of the 2018/19 budget, cross cutting commissioning and procurement savings of £0.75m were approved. During 2018/19 the work was focused on supporting directorates in delivering savings through procurement in order to achieve the savings. The team has also undertaken significant work to improve contract management through the creation of contract registers, revised processes to improve efficiency and work to improve systems. The £0.75m savings have been achieved in 2019/20, £275k were permanent savings through reductions in the price of utilities following procurement, and the balance (£475k) was made through one off savings, which included specialist audit work undertaken on payments made by the Council and some savings through staff vacancies. Work will continue to look for further efficiencies through procurement and commissioning and this will support all directorates in delivering their priorities. As part of the work to realign budgets across the Core it is proposed that the £475k balance will be offset against corporate efficiencies through the use of the historic pension contribution (£450k) and the reduction in external audit fees (£30k).

3.20 The budget for external audit fees is held corporately and the procurement of external auditors is undertaken on a regional basis. The annual audit fees payable for Manchester are going to **reduce by c£30k** compared with the fee payable in 2019/20.

3.21 The £0.5m savings target associated with the Our Transformation work has been fully achieved in 2019/20 through one off measures which consisted mainly of staff savings through vacant posts. The work carried out has identified the permanent measures to be implemented through realigning work, deleting vacancies and the other efficiencies set out above. This is shown in table 2.

Budget Pressures

3.22 This section of the report sets out the budget pressures in the Corporate Core. These have been reported as overspends during 2019/20 and offset by vacancies and underspends in other areas. As part of the work to rebase the budgets across the Core it is recommended that the efficiencies identified above are applied to offset the following:

3.23 *The Coroners Service* - Although technically appointed by the Local Authority the Coroner is not an employee of the Local Authority but is an independent Judicial Office holder who holds office under the Crown although the service is funded through the Local Authority. Manchester is a particularly complex area given that it covers a large NHS Trust with leading specialist units, an international airport and a category 1 prison. There has been an ongoing pressure within the Coroners service due to an increase in both the complexity of cases being heard, and an increase in the volume of cases. Whilst a review of the Coroners service is to be undertaken to ensure that the service is as effective and efficient as possible there is currently a forecast **ongoing pressure of c£400k** that will need to be mitigated from 2020/21. If there are any savings identified as part of the review they can be used to support future budget planning cycles.

3.24 *Legal Services* - Due to the continuing increased caseloads the cost of legal support for Children's Services has continued to increase this year. The Strategic Director of Children's Services and the City Solicitor having considered the cost drivers are working together to manage need, reduce the use of experts, streamline decision making/legal advice processes to create solicitor capacity. Children's Services and the Corporate Legal Service are working to address this position. For 2020/21 the Corporate Legal Service pressure of £300k will need to be mitigated to reduce the use of external legal services by improving the recruitment and retention of solicitors within the Council and to increase capacity to deal with more additional judicial review and age assessment challenges, this is in addition to the £0.6m investment proposed for Children's Services to address the need for legal services and to meet the requirements of the courts.

3.25 *Business Support* **-** As part of both reviewing the existing business support arrangements and the outcome of the recent job evaluation exercise undertaken to review existing salaries of a number of business support functions, given the increasing complexity of their roles the independent process determined that their existing salaries were not aligned to the roles that they were undertaking and the grades should increase. The overall increased costs are **c£360k** and this budget increase will be reflected as part of the 2020/21 budget.

3.26 City Policy currently has a shortfall on their budgeted income targets of c£226k which is due to some Resources and Programmes officers no longer undertaking rechargeable work for both GMCA and other external projects. They are now primarily focusing on delivering the Council's corporate priorities such as the Our Manchester Funds and Cultural investments which are not rechargeable. In order to close the gap the service has reduced staffing budgets by £118k through deleting 1.4 vacant FTEs (£62k) and increasing the vacancy factor by 2% (£56k), it is also proposed to reduce non staff budgets by £68k. If these proposals are accepted it will leave a **shortfall of £40k**.

3.27 As a result of the continued improvement in council tax collection rates there has been a reduction in the number of enforcement summons issued for non-payment and this has reduced the level of assumed summons income within Revenues and Benefits by c£200k. The benefits of improved collection rates are reflected within the overall Council resources and it is proposed to realign these budgets as part of the overall budget process.

Corporate Savings Proposals

3.28 Currently the Council pays the employers pension contribution on a monthly basis following each payroll run, the pension scheme have approached the Council and advised that if the pension payments are made up front for a period of three years the Council could benefit from a 0.9% reduction in the level of contributions, This equates to **c£0.75m per annum,** and this would be used to support the Council budgets.

3.29 From reviewing all the historic corporate budgets there is **£450k budget saving** available through reducing the available budget to support historic pension fund contributions.

3.30 Increased rental income of £0.5m has been identified, this is due to the higher than forecast level of rental income received from Manchester Central.

3.31 The net efficiencies identified from the above are £0.577m, details are set out in table 2 below.

4. Scrutiny Arrangements

4.1 As part of looking to support scrutiny committee with their roles all service areas from across the Council under the remit of each scrutiny panel have been included in one overall report.

4.2 This section includes both background and proposed budget changes for two service areas outside of the Core which form part of the remit for Resources and Governance Scrutiny Committee. They are operational property, facilities management and the Investment estate from Growth and Development. Budget changes arising from these are not included in the Directorate summary in tables 2 and 3.

4.3 **Operational Property** - The service has a gross budget of £12.2m and a net budget of £7.2m, and there are 36 full time equivalent employees within the service. The main responsibility is for managing and maintaining the Council's operational estate. The service will continue to manage the operational estate in the most efficient manner, but there are no proposed changes to the existing approved budget for this service in 2020/21.

4.4 **Facilities Management -** Provides the facilities management function across all the Council's properties, along with some external properties. The gross budget is £13.3m and the net budget is £9.1m and there are 176fte's. The service also engages a number of external contractors to provide some services that include repairs and maintenance and security services.

4.5 **Investment Estate** - continues to generate income from the for the Council despite the challenges faced in respect of increased competition for office accommodation across the City and changing behaviour in respect of retail activity. New opportunities to generate long term income will continue to be explored and evaluated along with ongoing reviews to ensure costs against the estate are controlled.

4.6 As part of the budget proposals facilities management has two pressures that need to be managed for 2020/21 and they are as follows.

4.7 Following a procurement exercise a new contractor (Engie) was appointed to undertake the repairs and management works for the Corporate Estate. As part of the changeover arrangements there are some additional transitional costs of c£300k, the contractor is continuing to look for ways of reducing this cost, but until this is done the additional costs are to be funded through existing facilities management budgets and virements will be undertaken to ensure budgets are correctly aligned.

4.8 Lloyd St toilets are the City Council only owned public toilets within the City centre and in order to ensure there is 24/7 facilities available within the city centre and to support the homeless agenda it has been agreed that Lloyd St toilets will be opened and in order to do this it was recognised that additional security would be required. The forecast cost of this is £155k per annum and the part year costs have been met from within existing budgets during 2019/20, but as part of the budget options additional resources of £155k are required to fund the ongoing costs and it is proposed that additional investment will be made from Corporate resources.

4.9 Investment estate are proposing to generate additional income of £490k in 2020/20 through the following:

- Manchester Airport Group (MAG) approached the Council in 2018 with a proposal to re-gear part of the main Airport leases in respect of their non-core investment assets and any increase in lease income is shared with the Greater Manchester districts. In order to facilitate this it is proposed that the Council grant a lease of these assets for a term of 275 years that will be on standard commercial terms capable of attracting investment to the assets. The grant of this lease has a significant value and the ground rent has been assessed at £0.603m p.a and agreed between the parties. **The additional income due to the City Council will be £340k per annum**.

- The Council has been in commercial negotiation around leasing a currently vacant Council asset to new occupiers, it is expected that the annual lease income for these premises will be around **£300k per annum,** but because it is anticipated that new occupier will only take up the space around September 2020 there is currently **only £150k assumed in 2020/21** with a further £150k to be realised in 2021/22.

5. Priorities for Investment and Use of Reserves

5.1 *City Policy - Zero Carbon* - In order to deliver the city's zero carbon ambitions there will be a requirement for additional resources across a number of core areas this will include both staffing and non-staffing resources. The Council has committed to underwriting the cost of a new Chief Executive role at the Manchester Climate Change Agency for 1 year, subject to unlocking financial contributions (£196k) from other strategic partners in the city, in addition to the £104k costs of strengthening the existing climate change team. Other non-staffing requirements will include *Our City* Carbon Literacy Training for Council staff and additional service specific training and external expert advisors to support the programme. Therefore it is proposed an annual budget of £300k is established within the Core to support the delivery of this agenda.

5.2 *City Policy - Culture* - The Council has committed to maintaining funding of £1.5m per annum to support the Factory /Manchester International Festival as part of the commitment to match the c.£9m ongoing revenue support from the Arts Council England and other Government grants. The Corporate Core currently has a mainstream budget of £1m, and this is supplemented by £0.5m every other year from the MIF reserve to support the costs of the operating costs of the MIF.

5.3 Delivery of the Council's strategic development priorities such as the Northern and Eastern Gateways to the highest possible environmental standards, retrofitting social housing properties and retrofitting the Council's operational estate will also require additional capital investment which is being picked up separately in the Capital Strategy.

5.4 *Revenues and Benefits* - £350k has been identified from within existing mainstream budgets to provide additional funding to help mitigate the implications of the welfare reform changes and increases in Council Tax. If this is agreed then more detailed proposals will be brought included in the February scrutiny report.

5.5 *Our Transformation* - Our Transformation work will require some additional investment into capacity to assist the council in reviewing, modernising and digitising its business processes. The Council has a reserve on the balance sheet to meet future transformation costs and it is proposed that £1m of this reserve is ring fenced to support the Our Transformation programme over the next three years 2020/21 - 2022/23. Use of the reserve and the anticipated future benefits will be reported back to Members as part of the Global Monitoring reports.

5.6 *Digital Transformation & Digital Cities* - Within the Capital Strategy it is proposed that £1m is earmarked from within the ICT strategy funding to support the Digital Cities agenda, there is also £250k earmarked within Corporate revenue budgets to support with additional capacity to progress with the longer term digital cities strategy.

5.7 Table 2 below sets out details of both investment and efficiencies from both Corporate Core directorate budgets, and other Corporate budgets. The Corporate core net change is £73k investment and this is reflected in table 3 below, in addition to this there are the following changes to the Corporate budget's that are included as part of the budget proposals and these are included in table 2 below and reconcile to the overall £0.577m contribution to the wider council budgets;

- (£450k) - Historic pension contribution budgets
- (£0.5m) - Additional commercial income
- £300k - Additional legal costs - Children's services.

Table 2: Budget Proposals 2020/21

Service Area	Description of Savings/ Efficiency Option	Amount £,000	FTE Impact (estimate)
Revenue and Benefits	Delete vacant posts	(400)	12
Revenue and Benefits	Changes to vacancy factor	(228)	
Shared Service Centre	Changes to vacancy factor	(63)	
Customer Services	Changes to vacancy factor	(145)	

Shared Service Centre	Reduction in income	290	
Revenue and Benefits/CSC/SSC Net		**(546)**	
HR/OD	Reduction in staffing	(50)	1
	Changes to vacancy factor	(85)	
HR/OD Net		**(135)**	
Chief Executive Corporate items	HR policy savings	96	
	Increase annual leave purchase scheme	(96)	
CEX Corporate items Net		**0**	
Performance Research & Intelligence (PRI)	Release of investment funding no longer required	(125)	
	Changes to vacancy factor	(91)	
PRI Net		**(216)**	
Communications	Delete vacant posts	(50)	2
	Changes to vacancy factor	(38)	
	Senior management changes	(18)	
	Intranet maintenance costs	50	
Communication Net		**(56)**	
Capital Programmes	**Increased income**	**(50)**	
Commissioning and Procurement	Realignment of commissioning savings	150	
Commissioning and Procurement	Reduced audit fee	(30)	
Commissioning and Procurement Net		**120**	
ICT	**Increase in vacancy factor**	**(76)**	
Our Transformation	**Reprofiling in delivery of savings**	**500**	
Coroners	**Investment to support increased caseloads**	**400**	
Business Support	**Investment to cover job evaluation implications**	**360**	
City Policy	Income pressure	**226**	
	Reduction in staffing	**(62)**	1.4
	Increase in vacancy factor	(56)	
	Reduction in non staff budgets	(68)	
City Policy Net		**40**	
Audit	Changes to vacancy factor	(18)	
Revenue & Benefits	Reduction in Enforcement notices	200	
City Policy	Zero Carbon - staffing	300	
Corporate Budgets	Pension Fund cash flow savings	(750)	
Total Net Investment		**73**	**16.4**
Corporate Items/Other Directorates			
Pension fund contribution		**(450)**	

Increased commercial income		**(500)**	
Legal cost pressure		**300**	
Total Corporate Core Savings/Efficiency		**(577)**	**16.4**

Table 3: Proposed budget 2020/21

Service Area	2019/20 Net Budget	Savings Options	Investment and other changes	Growth and other adjustments	2020/21 Net Budget
	£'000	£'000	£'000	£'000	£'000
Legal Services	6,455				6,455
Elections	1,064				1,064
Coroners and Registrars	1,897		400		2,297
Executive	979		360		1,339
Communications	3,108	(106)			3,002
CEX Corporate items	1,358	(846)	96		608
Procurement and Commissioning	1,339		40		1,379
Revenue and Benefits	10,026	(628)	200		9,598
Financial Management	5,424				5,424
ICT	13,575	(76)	50		13,549
HR/OD	4,525	(135)			4,390
Audit, Risk and Resilience	1,434	(18)			1,416
Shared Service Centre	863	(63)	240		1,040
Capital Programmes	(113)	(50)			(163)
Corporate Services Corporate Items	256	(30)			226
Customer Services	4,198	(146)	51		4,103
Commercial Governance	252				252
Decriminalised Parking Enforcement	(649)				(649)
Bus Lane Enforcement	(334)				(334)
Policy Partnership, Research and Culture	9,215	(186)	526		9,555
Performance, Research and Intelligence	4,535	(216)			4,319
Reform and Innovation	820			333	1,153
Cross Cutting Savings	(673)		610		(63)
Grand Total Corporate Core	**69,554**	**(2,500)**	**2,573**	**333**	**69,960**

6. Workforce Implications

6.1 The framework for how the Council supports its workforce is set out in the People Strategy. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the agreed priorities, budget and workforce implications agreed last year. The proposals in this report will require the deletion of 16.4

posts on the establishment and this can largely be achieved by the deletion of vacant posts. Work is continuing to review the overall vacancies to determine if they are true vacancies that are essential or can be offered as a further reduction to make further efficiencies.

6.2 In recognition of the relatively large staffing underspends that are reported annually within the Core, considerable work has been done to analyse the reasons for the underspend and look at ways that the budget can be better aligned to reflect the likely spend, and addressing a number of ongoing pressures. This has been done through revising the staffing vacancy factor applied to each budget, this is now variable for each service area and reflects the size of the overall structure and the historical turnover rates. Whilst this will have no direct impact on a reduction in workforce it will be essential that we continue to support the ‘Our Manchester’ behaviours to guarantee these are embedded across the various services as well as engaging with our staff to ensure they continue to feel supported and valued. All the workforce changes will be underpinned by improved technology and more modern effective ways of interacting with colleagues and customers.

6.3 The Core is fully engaged with the opportunity to continue the focus on workforce skills and development needs. It recognises that supporting employees to maintain high attendance levels is a fundamental element of Our Ways of Working and the Our People Strategy.

7. Equality, Diversity and Inclusion

7.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester’s communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

8. Risk Management

8.1 The Core will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

9. Legal

9.1 There are no legal implications arising from this report.

10. Consultation

10.1 As part of the budget proposals the main savings areas proposed are in respect of efficiencies, with no impact on front line service delivery so there will be no need for public consultation on any of the proposals included within this report.

11. Capital Strategy / Programme

11.1 The capital programme for the Corporate Core totals £63.5m over the period 2019/20 - 2023/24, this includes the ICT programme and loans to third parties. A summary of the current capital budget is shown in the table below, and details of the individual projects will be found in the Capital Strategy and Budget report for Executive in February:

Table 4: Capital Programme

	2019/2 £m's	**2020/21 £m's**	**2021/22 £m's**	**2022/23 £m's**	**Future Years £m's**	**Total £m's**
ICT	5.7	5.7	10.9	9.4	7.7	**39.4**
Corporate Investment	12.1	8.8	3.2	0.0	0.0	**24.1**
Total	**17.8**	**14.5**	**14.1**	**9.4**	**7.7**	**63.5**

11.2 During the 2019/20 financial year to date, the ICT Investment Programme has continued, with the recent decision to adopt a new ICT collaboration platform to replace existing systems and allow better joint working with external partners. A new social care system, incorporating a new social care payments system, has also gone live. Investment in the biomedical research facility has also continued, supporting the development of this sector in the city.

11.3 The Capital Strategy and Budget represents a continuation of the existing approved capital budget and will also provide information on the expected future investment requirements for the Council, including the need to be able to intervene in markets if existing outputs do not support the Council's wider aims perhaps through loan finance, and also the continued investment required to ensure that the Council is well-managed, and in particular the role that ICT infrastructure can play in increased digitisation of services, this will also include c£1m resources to support the Digital Cities Strategy.

11.4 A revised ICT Strategy is being prepared as part of the full suite of reports for Budget Executive, Scrutiny and Council. Both this, and the Technology route map which will follow will help inform the future investment requirements in this area.

12. Conclusion

12.1 The budget strategy provides information on the work that has been undertaken and is ongoing within the Directorate to both ensure that we are able to meet the existing budget pressures, whilst also contributing savings towards the wider council budgets.

12.2 The proposed revenue budget for 2020/21 is a one year budget which is aligned to both the Governments one year budget settlement and the Council one year budget proposals.

12.3 The Directorate budget proposals have already been subject to Scrutiny review in January, and this report reflects feedback from the original meeting. The report will be submitted to Scrutiny and Executive in February 2020 for final approval.

Appendix 1 - Delivery Plans

1. Revenue Financial Plan

Subjective Heading	2019/20 Latest Net Budget £'000	2020/21 Indicative Budget £’000
Expenditure:		
Employees	75,353	74,462
Running Expenses	232,614	234,194
Capital Financing Costs	1,221	1,221
Contribution to reserves	11,299	11,299
Total Subjective Expenditure	320,487	321,146
Less: Other Internal Sales	(10,980)	(10,980)
Gross Expenditure	**309,507**	**310,196**
Income:		
Government Grants	(183,981)	(183,981)
Contribution from reserves	(9,124)	(9,124)
Customer and Client Receipts	(4,904)	(4,904)
Other Grants Reimbursements and contributions	(30,213)	(30,496)
Other Income	(11,731)	(11,731)
Total Net Budget	**69,554**	**69,960**

Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee – 5 February 2020
Executive - 12 February 2020

Subject: Dedicated Schools Grant - School Budgets 2020/21

Report of: Strategic Director for Children and Education Services

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Summary

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

This report provides a summary of the confirmed DSG allocation from the 2020/21 settlement announced on the 19th December 2019, and the budget allocation across individual school budgets and Council retained schools budgets which was reported to the Schools Forum on the 20th January 2020.

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable):

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	Ensuring sufficient, high quality school places are available and in the right place helps to ensure all children and young people achieve their full potential through regular school attendance and are able to access the jobs and opportunities in the City.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Good school attendance is important as it supports school attainment.
A progressive and equitable city: making a positive contribution by	Regular attendance at high quality schools helps all children and young people to develop

unlocking the potential of our communities	appropriate social skills, self-respect and respect for others.
A liveable and low carbon city: a destination of choice to live, visit, work	Access to good local schools providing a high quality education supports sustainable neighbourhoods and makes Manchester increasingly attractive as a place to work, live and bring up children.
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families and schools who are able to deliver continuing growth in the City

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 forms part of the preparation of the Council's draft revenue and capital budget for 2020/21 to be reported to the Executive for approval in February 2020.

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Background documents (available for public inspection):

None

1. Introduction

1.1 The Dedicated Schools Grant (DSG) for 2020/21 was received on 19 December 2019. This is a ring fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in Manchester. It also funds early years nursery entitlement for two, three and four year olds in maintained school nursery classes, private, voluntary and independent (PVI) nurseries, as well as provision for pupils with high needs including those with Education Health and Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of the city.

1.2 DSG funding is determined in two stagesL first, the government provides the grant to local authorities for all state funded schools in the city, and then local authorities determine the grant distribution to the local education establishments.

1.3 DSG is split into four blocks: schools, central school services, early years, and high needs. Section two of the report provides an outline of the 2020/21 DSG allocation at Local Authority (LA) level and section three sets out the distribution of grant across educational establishments and LA retained budgets.

2. Summary of Dedicated Schools Grant (DSG) 2020/21 Settlement

2.1 The 2020/21 DSG notification was received on the 19th December 2019 and totals **£560.304m**. The overall increase in grant since last year is £29.536m. The biggest change in the grant is due to 1.84% per pupil related increase in part of the grant that supports primary and secondary schools and £11.994m uplift in the high needs block.

2.2 Table one provides a breakdown of the grant across the DSG blocks and sets out why the grant changed between 2019/20 and 2020/21.

Table one: DSG settlement 2020/21 and 2019/20

BLOCK	Schools £m	Central School Services £m	High Needs £m	Early Years £m	Total £m
2020/21	425.944	3.661	88.918	41.781	560.304
2019/20	409.073	3.658	76.924	41.113	530.768
Difference	**16.871**	**0.003**	**11.994**	**0.668**	**29.536**
As a result of:					
Pupil No. increases	10.757	0.086	0.685		**11.528**
Change in Grant Rates	8.160	-0.083	11.309	0.668	**20.054**
Growth Fund Decrease	-2.045				**-2.045**
Difference	**16.871**	**0.003**	**11.994**	**0.668**	**29.536**

Schools Block

2.3 This block funds primary and secondary school budgets. The schools block allocation of £425.944m has been calculated bottom up on the basis as if the national funding formula (NFF) applied at school level. Local authorities are permitted to use a local ('soft') formula to distribute the aggregated total between each school and academy as is the case in Manchester. The £425.944m will be allocated out to schools in individual budget shares or held for the growth fund.

2.4 The budget is based on 79,435 children aged 5-16. The allocation has increased by £16.871m in 2020/21, of which **£10.757m** reflects growth in primary and secondary pupils between October 2018 and October 2019 of 2,071 (2.7%). In addition, £9.625m of the allocation is for premises and the growth fund.

2.5 The growth fund allocation changed in 2019/20 from a historical allocation to a new formulaic method based on lagged growth data. Manchester will receive a protected level of funding, but this is £2.045m lower than the 2019/20 allocation. Table two below shows the breakdown of the allocation across 79,435 children aged 5-16.

Table two: Schools Block Allocation

Schools Block	
Guaranteed Unit of Funding	
Primary	£4,669.73
Secondary	£6,209.31
Numbers on roll – 79,435	
Primary	49,960
Secondary	29,475
	£416,319,124
Funding growth Premises	£5,345,089 £4,279,605
Total	**£425,943,818**

2.6 The Spending Round in September 2019 indicated increases in school funding and following consultation with Schools Forum in November 2019 and January 2020, Schools Forum endorsed the Council's proposals to increase funding for pupils, pupil characteristics, and protection under the MFG as much as is affordable within the formula.

Central School Services Block

2.7 The central school services block allocation is £3.661m and supports the Council's role in education. It comprises two elements:

- 'On-going Responsibilities' - funding for this is determined by number of pupils and deprivation
- 'Historic Commitments' (previously known as Combined Services) - funding for this is based on past actual costs.

2.8 'On-going Responsibilities' - This funds the admissions service, copyright licenses, servicing of Schools Forum and the duties local authorities have for both maintained schools and academies. The per pupil amount for 'On-going Responsibilities' has reduced by 2.5% which equates to a per pupil reduction of £1.07 to £41.58 per pupil. The impact of the reduction in the rate per pupil has been off-set by an increase in Manchester's pupil numbers, demonstrated in table three below.

2.9 'Historic Commitments' are time-limited and expected to reduce over a period of time. The DfE has suspended a planned 20% reduction in funding in 2020/21 where local authorities can demonstrate an on-going borrowing commitment. Manchester has evidenced the on-going commitment for unsupported borrowing against a school's capital scheme of £358k per year, which runs until 2032/33.

Table three: Central Schools Service Block

Central Schools Service Block	2019/20	2020/21	Difference
Historic Commitments (£m)	**358,000**	**358,000**	**0**
On-going responsibilities:			
Unit of Funding (£)	42.65	41.58	(1.07)
October census number on roll	77,364	79,435	2,071
Total Ongoing (£m)	**3,299,575**	**3,302,907**	**(3,332)**
Block Total (£m)	**3,657,575**	**3,660,907**	**(3,332)**

High Needs Block

2.10 The high needs block allocation is £88.918m and provides funding for children and young people with special educational needs and disabilities (SEND) from early years to age 25. The DfE has allocated an additional £0.7bn to the high needs block nationally. Manchester's additional high needs block grant allocation is £11.994m, an increase of 15.59% compared to 2019/20.

2.11 This block of funding is for those pupils or students who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEND resource unit or a special school. It enables both local authorities and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools.

2.12 The Council continues to work with special schools and intends to re-base funding based on a child's primary diagnosed need to one where the level of all the needs of the child are taken account of. This will also allow the Council to equalise funding rates across all of the special schools. Following consultation in October 2019, 12 out of 13 schools agreed with the proposed change. In January 2020, Schools Forum endorsed the proposed change to the formula. Based on the proposed revised formula the average increase per special school per place is 2%.

Early Years Block

2.13 The early years block funding is £41.781m, this reflects the 2020/21 early years national funding formula (EYNFF) rates for all local authorities published in November 2019. Both the two year old rate and the three and four year old rate for Manchester have increased by 8p per hour from 2020/21. This is an increase of 1.64% for three and four year olds and 1.51% for two year olds and will be passed on in full to providers. However, this increase does not reflect the increase in the national living wage for April 2020 of 6.2% and for that reason is not expected to support financial sustainability for providers that are in difficulty.

3. Dedicated Schools Grant Allocation with Manchester

3.1 DSG funding is provided in two stages: first, the government provides the grant to a local authority as set out in section two above, and then the LA determines the grant distribution to the local educational establishments. The proposals for local allocation set out below have consulted on with Schools Forum, who endorsed the proposals at their meeting in January 2020.

Schools Block

3.2 The schools block funds individual primary and secondary (mainstream) schools' budgets. Funding is currently based on a local funding formula. This formula applies to all primary and secondary schools and academies. Individual school funding is determined by pupil numbers, pupil characteristics, a lump sum and premises related factors.

3.3 No change to Manchester's individual schools formula for primary and secondary schools is proposed. Manchester schools will receive a 1.84% increase on funding for pupils and pupil led characteristics. Premises factors have not been uplifted by in line with allocations from the DfE. The lump sum continues to be funded at £41k above the rate the Council has been funded as part of the local formula. Protection of plus 1.84% per pupil compared to last year's budgets has been provided. This ensures that all schools will receive an inflationary increase compared to what was received last financial year on a per pupil basis.

Central Schools Services Block

3.4 This block provides funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies. The block is split into funding for historic commitments and funding for LA school responsibilities, such as Admissions.

High Needs Block

3.5 The 2020/21 high needs block grant allocation totals £88.918m and includes an £11.994m uplift to the block. The breakdown of estimated spend against the additional allocation is provided in table four below:

Table four: High Needs Block growth

	2020/21 £m
Additional HNB Allocation	**11.994**
Mainstream EHCPs, Special School places, Resource units, Education, Health and Care Plans	5.124
Post 16 Places	1.700
Out of City Places	3.059
Central Services	0.279
TOTAL: Growth	**10.162**
Recovery Balance (year 1)	1.832
Balance	**0**

3.6 The school population in Manchester has increased significantly since 2008. This has led to an increased demand for places across specialist places and support Currently, 2.0% of the school population attend specialist provision either within a special school or resource provision within a mainstream setting. Expected growth planned mirrors that of mainstream growth and does not increase the proportion of children attending a special or resource school in Manchester. The Council is expanding the Education and Health Care Plans Casework service in line with expected growth for EHCPs next year. Manchester's High Needs Block is projected to overspend by £5.332m 2019/20, giving an expected DSG overspend of £3.664m. It is proposed that the deficit is recovered over two year period

Special School Budgets

3.7 The Council has undertaken a review of the special schools funding formula to establish an equitable and efficient funding system that aligns funding to individual pupils needs. Special schools places are funded on a £10k place plus top-up based on primary needs of children in their school.

3.8 The Council has worked with special schools and has re-classified top-up values based on all the needs of the child instead of the child's primary diagnosed need. This has also allowed the Council to equalise funding rates across all of the special schools. A consultation on the changes has run throughout October 2019 to January 2020. Based on the proposed revised formula, the average increase per special school per place is 2%.

Early Years

3.9 Manchester's funding rate per hour for both the universal and additional hours provision for 3 and 4 year olds as well as the 2 year offer is proposed to be increased by 8p on the base rate, in line with the 8p increase received in the DSG settlement.

4. Summary

4.1 Table five below sets out the grant breakdown of DSG blocks. The table provides a summary of the split between individual school budgets and those budgets retained centrally by the authority across each of the blocks in 2019/20 and 2020/21.

Table five – DSG individual school budgets and retained school budgets

	Schools £m	**Central School Services Block £m**	**High Needs £m**	**Early Years £m**	**Total £m**
Retained School Budgets	3.756	3.658	22.761	1.151	**31.326**
Individual School Budgets	405.317	0	54.163	39.962	**499.442**
DSG 2019/20	**409.073**	**3.658**	**76.924**	**41.113**	**530.768**
Retained School Budgets	2.392	3.661	29.532	1.262	**36.847**
Individual School Budgets	423.552	0	59.386	40.519	**523.457**
DSG 2020/21	**425.944**	**3.661**	**88.918**	**41.781**	**560.304**

5. Recommendations

5.1 The recommendations appear at the front of this report.

Glossary

Central Services Block This is one of four blocks of Dedicated Schools Grant (DSG) allocated to local authorities to carry out functions on behalf of pupils in both maintained schools and academies. There are two distinct elements within this block:

- the 'ongoing responsibilities', comprising of funds previously separately specified by the Department for Education (DfE) and retained centrally (admissions, copyright licenses and servicing schools forum).
- the 'historic commitments' previously known as 'combined services'.

Early Years Block The early years block funds all factors relating to three and four-year-olds and disadvantaged two-year-olds in nurseries, private, voluntary and independent settings, and maintained schools.

High Needs Block The high needs block covers place funding for special schools/academies and units, top-up funding for high needs pupils, alternative provision and education otherwise than at school, and funding for local authority central special educational; needs services.

Minimum Funding Guarantee The MFG stipulates the minimum amount by which a school's budget must increase (or maximum decrease) when compared with its budget for the previous year, before allowing for changes in pupil numbers. Some specific items of expenditure (such as rates and resources specifically assigned to individual pupils with special needs) are excluded from the coverage of the MFG. The local authority can modify the operation of the MFG with the approval of the Secretary of State

National Funding Formula National Funding Formula DfE has published proposals for a new national funding formula for schools, high needs and early years funding. In March 2016 DfE published proposals to make the distribution of schools and high needs funding fairer, and in August 2016 DfE published proposals on early years funding reforms.

Soft Funding Formula The DfE will moved to a national funding formula at Local Authority level. The DfE use the national funding formula to calculate LAs' funding allocations, LAs can still determine individual schools' funding allocations through their local formula.

Schools Block The schools block will fund all primary and secondary schools pupils that are not funded through high needs or early years blocks.

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Manchester City Council
Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 6 February 2020
Executive – 12 February 2020

Subject: Housing Revenue Account 2020/21 to 2022/23

Report of: Strategic Director (Growth and Development) and Deputy Chief Executive and City Treasurer

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Summary

This report presents members with details on the proposed budget for the Housing Revenue Account (HRA) for 2020/21 and an indication of the 2021/22 and 2022/23 budgets.

It seeks approval for the 2020/21 HRA budget, and the proposed average rent increase of 2.7% for all properties, in line with Government guidance.

It is also proposed that the City Council continue with the policy of where rent is not yet at the formula rent level, then the rent will be revised to the formula rent level when the property is re-let.

Recommendations:

The Resources and Governance Scrutiny Committee is invited to review and comment on the HRA Budget.

The Executive is recommended to:

1. Note the forecast 2019/20 HRA outturn as set out in section 4.

2. Approve the 2020/21 HRA budget as presented in Appendix 1 and note the indicative budgets for 2021/22 and 2022/23.

3. Approve the proposed 2.7% increase to dwelling rents, and delegate the setting of individual property rents, to the Director of Housing and Residential Growth and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

4. Approve the proposal that where the 2020/21 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

5. Approve the proposed 2020/21 changes for communal heating charges as detailed in paragraphs 5.15 to 5.19.

6. Approve the proposed 2020/21 Northwards management fee as detailed in paragraphs 5.27 to 5.28.

7. Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

Wards Affected: Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley, Moston, parts of Ancoats and Clayton, Ardwick, 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	A healthy and fit for purpose affordable housing market will support a functioning local and sub-regional economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Access to appropriate affordable housing and services will support residents to achieve and contribute to the city.
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.	The right mix of affordable quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the City and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	Affordable social housing plays an important part in ensuring that there are neighbourhoods where people will choose to live and their housing needs and aspirations are met.

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 be contained within the Housing Revenue Account which is a ring fenced budget separate to the Council's General Fund. Whilst HRA expenditure can exceed income in any given year, the HRA overall cannot go into deficit. The recommendations in this report will determine the financial plan for 2020/2021 – 2022/23 and the 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 in 2020-21 excluding monies from reserves is forecast to be approximately £86m.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is made, and this can be used to either fund capital expenditure or reduce housing debt. The 2020/21 HRA budget includes a forecast depreciation charge of £17m, which will be set aside to fund capital investment.

In addition to the depreciation charge there is around £60m capital funding proposed from revenue contributions over the 2020/21 - 2022/23. This report sets out the basic capital investment requirements for the next two years. There remain significant capital investment requirements if the Council is to achieve its requirements and ambitions in the areas of maintaining decent homes standards, achieving carbon reduction targets and continuing to maintain /increase the social housing stock within the City. It is likely therefore that the capital requirements will increase and this will need to be considered as part of the HRA Review.

From 2023/24 onwards the HRA budget currently includes an annual capital budget of £25m per annum.

The HRA budget already allows for the costs and implications of the following new build programmes:-

- Brunswick PFI Extra Care Scheme (2020/21)
- Silk Street (68 properties) (2020/21 - 2021/22)
- Collyhurst (130 properties) (2020/21 - 2021/22)

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Background documents (available for public inspection):
None

1. Introduction

1.1. The purpose of this report is to seek approval for the Housing Revenue Account (HRA) 2020/21 budget and provide members with recommendations for approval in respect of the 2020/21 tenants' rent, garage rents and communal heating charges.

1.2. This report sets out the HRA budgetary proposals for 2020/21, and the indicative position for 2021/22 and 2022/23. 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 similar basis to Registered Providers. This has entailed developing a rolling 30 year business plan, and reviewing the use of all 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 longer term.

2.3. In previous years 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.

2.4 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 through a loss of rent income and this reduced the HRA reserves position over the life of the business plan. The current business plan shows that reserves fall below the c£60m level required to avoid having to pay increased interest charges on debt in 2027/28, and the reserves are forecast to be exhausted by 2045/46. Although the current business plan does show a small deficit over the 30 years there are many variables that could impact upon the existing forecasts, in particular the level of future years rent increases and also the capital investment requirements, and in particular the additional investment requirement in respect of energy efficiency measures to support the Council in achieving its carbon neutral target by 2038.

2.5 Following the 4 years of annual 1% per cent rent reduction, the Government have agreed that rent policy for 5 years commencing 2020/21 can revert to the original rent policy of CPI +1%, and this is included within the proposed budget.

2.6 The HRA will be required to achieve further savings over the medium/long term in order to ensure that the HRA does not run into a deficit, and that there are sufficient resources available to support the capital investment needs over the life of the business plan.

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 debit 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 2019/20

4.1. The latest HRA forecast as at November 2019 shows that the forecast expenditure is £13.176m lower than budget, which would result in an in year surplus of £3.029m and this will be credited to the HRA reserves. The original 2019/20 HRA budget forecast a £10.147m withdrawal from reserves. The main reasons for this change in the current year are as follows:

- RCCO - £11.461m underspend – Mainly due to revised planned delivery timescales arising from consultation with tenants on a number of schemes involving multi story blocks (sprinklers, fire risk assessments, windows, and kitchen/bathroom replacement).
- Housing Rents - £139k overspend – Rental income is lower than anticipated following delays in the construction of new build properties.
- Contractor payments - £1.594 underspend – Expenditure on the Brunswick scheme is £0.622m lower than budgeted and around £0.900m due to slippage on the planned installation of sprinklers.
- Other minor underspends totalling £260k.

5. Budget Strategy 2020/21 - 2022/23

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 assumptions in line with the City Council medium term financial plan around pay and inflationary increases. It also takes into account the impact of Welfare Reform which commenced in April 2013 on rent collection levels, and will continue to be rolled out over the next few years. To date the anticipated reduction in rental income has not materialised but the position will continue to be monitored closely and the implications reflected within the HRA business plan.

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, due to a number of factors including the Government's imposed 1% rent reduction over four years from 2016/17, the impact of the Grenfell Tower fire disaster, and the Council's ambition to become a zero carbon City, the HRA does currently forecast a small deficit from 2032/33 onwards based on current assumptions. Work is ongoing to review all HRA expenditure in order that efficiencies can be identified to ensure that reserves are retained and the investment requirements for the HRA are delivered.

Management of Housing Stock and Implications of "Right to Buy"

5.3 The Council continues to own and manage just under 16,000 properties within the HRA under various arrangements. These include three PFI schemes and stock managed by either Northwards Housing or other Registered Providers (RPs). In the current financial year Right to Buy Sales (RTB) of around 193 properties are being forecast. This is more than the number sold in 2018/19 and it is assumed the RTB numbers will remain at a similar level to the current year (1.25%) for the next five years of the Business Plan, before dropping back to 1% for the remaining years of the plan. This will reduce the level of rent income achieved and the number of sales will continue to be closely monitored.

5.4 The table at Appendix 1 provides a detailed analysis of the overall proposed 2020/21 budget which is forecasting an in year deficit of £18.441m and this will be funded through drawing down resources from the HRA reserves. This is mainly due to the level of planned capital programme works and this does include slippage carried forward from the 2019/20.

5.5 The key budget assumptions used in preparing the HRA budget are as follows:

Rent Income

5.6 As a result of Government changes to the social rent policy, social rents have been reduced by 1% p.a. for the four year period 2016/17 to 2019/20 inclusive, although PFI properties were exempt, and those rents have been increased by CPI plus 1%.

5.7 The latest Government guidance allows Local Authorities to increase rents by a maximum of CPI plus 1% for the five year period 2020/21 to 2024/25, and CPI will be based on the September CPI rate. In September 2019 CPI was 1.7% and therefore this report seeks approval to increase tenant's rents for all properties by 2.7% with effect from April 2020.

5.8 For the c.1,000 properties where formula rent has not yet been achieved, if the property becomes vacant the rent will be increased to formula rent when the property is re-let.

5.9 The HRA budget has been prepared on this basis and would produce an average weekly rent (based on 52 weeks) of:

- General Needs £74.34
- Supported Housing £67.61
- PFI Managed £84.84

Other Income

5.10 Other income is forecast to be around £1.164m in 2019/20, and this is made up as follows:

- Non Dwelling Rents and Other Income includes:
  - Non Dwelling Rents – income from garage rents, rental income from shops and offices, ground rent and telecoms masts
  - Other Income and Contributions – Girobank charges, contributions towards grounds maintenance and solar panel income.
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness
- VAT Shelter Credits – income from other RP's in relation to VAT recovery on repairs and maintenance costs following stock transfers. This income ceases in 2021/22.
- HRA Investment Income – the HRA receives income on balances held within the Council's bank account
- Income from Leaseholders (e.g. contribution to heating, cleaning, and repairs to communal areas)

Private Finance Initiative Allowances

5.11 As part of the original PFI negotiations for the Brunswick scheme, the Council agreed to make a capital contribution totalling £24m between 2014/15 and 2019/20 in order to realise savings of c.£48m over the life of the PFI contract, through lower annual Unitary payments. The contributions are linked to the programme of new build properties, and the capital contributions have slipped one year so 2020/21 will be the final year of making the agreed capital contributions and this is reflected in the proposed budget.

5.12 The three stock management PFI schemes in total generate income for the HRA in that income from rents and PFI credits is greater than the unitary charge payments. This budget proposes to continue to charge PFI rents in line with the original rent policy.

5.13 "Smoothing" reserve funds had been established for all the PFI contracts, these are set up to smooth the costs of the PFI over the duration of the 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.

5.14 The current PFI reserve will continue to remain frozen at £10m as at 31 March 2020 and will be used to part fund the outstanding HRA debt.

Communal Heating

5.15 In general, it is intended that gas charges are set to reflect the actual cost of gas consumed. However, there are reasons why in practice this is difficult to achieve:

- Charges are set based on anticipated charges for the following year and consumption from the previous year
- Some of the heating systems are not efficient in operation, although work is ongoing to improve this position.

5.16 Communal heating gas is sourced as part of the City Council overall gas contract. The existing wholesale gas contract expires shortly, and latest prices indicate that the current wholesale gas price will reduce by 7% with effect from April 2020.

5.17 In order to ensure that the costs of gas used are recovered through the tariffs charged for tenants and residents on a scheme by scheme basis, it would be necessary to reduce the current heating charges by between 0% and 36%. The charges for 2019/20 were increased to reflect an increase in tariffs, but the increase was capped at 20%. Therefore it is proposed that the reduction in tariffs for 2020/21 is similarly capped at a maximum of 20% in order to smooth any potential changes arising from future increases to the costs of gas.

5.18 The proposed 2020/21 heating charges for each scheme are shown in Appendix 2 and this includes both 2018/19 and 2019/20 charges for comparison purposes. The table shows that all but 1 scheme proposed heating charges for 2020/21 will be lower than the 2018/19 rates.

5.19 There continues to be a programme of capital investment that looks to both improve energy efficiency of homes and reduce carbon. This will include upgrading or replacing existing communal heating equipment. The costs of gas used against the tariffs charged will continue to be monitored to ensure that the rates being charged are aligned.

Depreciation

5.20 Depreciation is a means of charging the cost of an asset to the revenue account over its remaining useful life. In accordance with accounting regulations, it is charged to the HRA as a transfer to Reserves where it can be used to fund capital expenditure or pay off debt. The proposed depreciation charge in 2020/21 is forecast to be £17.378m and this will be used to fund capital expenditure.

Debt Financing and Borrowing Costs

5.21 The 2020/21 opening HRA debt is anticipated to remain unchanged at £121.26m, and this is funded through a combination of market loans and internal funding through the use of reserves. The use of internal borrowing supports the HRA through reducing the interest costs of borrowing, but it is important that any future investment decisions are carefully considered because if the reserves fall below the level of internally funded debt (c£60m), then interest charges will increase. This will be considered as part of any investment proposals that require use of the HRA reserves it the scheme appraisal would need to ensure that the increased costs of borrowing are factored into the project costs.

5.22 It should be noted that in October 2018, the Government announced the removal of Councils' HRA debt caps, which means that there is no upper limit to the level of debt that can be held, the only restriction being that the HRA business plan must demonstrate that any debt can be serviced without going into deficit.

5.23 Due to the change in Government policy and the imposed four year 1% rent reduction, the reduced rental income has reduced the forecast level of reserves, it is currently anticipated that the HRA reserves will fall below the £60m required to continue funding the proportion of debt in 2027/28 and this results in an increase in the interest costs charged to the HRA. This assumes no additional capital expenditure over and above what is assumed in the business plan. Unless savings are identified to mitigate the rent reduction, the costs of borrowing within the HRA will increase.

5.24 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 the debts become repayable this will be considered as part of the treasury management strategy.

Provision for Bad Debts

5.25 Due to the continued roll out of Universal Credit and the anticipated impact on residents the business plan has made prudent provision for an increased contribution towards the provision for bad debts. The forecast reduced rent collection has not materialised to date, and this is in part due to the delays in rolling out the Universal Credit scheme and also because of the good work undertaken with tenants to provide help and support in order to assist tenants manage the impact of the changes. Despite the continuing good rent collection performance, the further roll out of Universal Credit may impact on rent collection rates in later years. The contribution to the bad debt provision will remain at the 2019/20 actual rate of 1% in 2020/21 and will then be increased annually by 0.5% from 2021/22 until 2023/24 at which point it will peak at 2.5%, it is then planned to reduce by 0.5% per year until it levels out at 1.5% for the remainder of the plan. This is to reflect the ongoing work that will be done with residents to manage the impact of welfare reform.

5.26 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

5.27 As part of the 2018/19 budget Executive approved a two year annual 1% reduction in the Northwards management fee for both 2018/19 and 2019/20, and this was aligned to the rent reductions. It is proposed that the Northwards management fee for 2020/21 is increased to reflect the costs of pay awards in 2020/21 and this equates to a rise of 1.55% or £315k in 2020/21. Similar assumptions have also been made for future years of the business plan, although these will be approved as part of future budget rounds.

5.28 Due to the prior year 1% reduction in the management fee Northwards have been required to fund any inflationary increases during this period, they have achieved this through a combination of making use of their own reserves and identifying efficiencies within their existing budgets. In order to ensure that Northwards have a sustainable budget going forward Northwards have been requested to identify efficiencies that will remove the need for use of reserves, and ensure their budget is sustainable ongoing.

5.29 The interim Director of Housing is currently undertaking a review of the HRA and this does include all existing management arrangements for the stock. It is expected that this review will be completed before the end of the current financial year and as part of this review the financial implications for the business plan will be considered. It should be noted that this review will pick up all Policy and Strategy requirements of the HRA business plan and will therefore change current projections. There are none of these assumptions currently included as part of this budget report, and details will be reported back to members once they have been worked through.

Other Expenditure

5.30 Details of other expenditure as shown in appendix 1 is as follows:

- Retained Stock Maintenance & Repairs – this covers repairs to offices, environmental works, and some lift maintenance
- Supervision & 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 miscellaneous costs.
- Other management arrangements – stock management fee to the two Tenant Management Organisations (415 properties), Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – on properties held empty for demolition
- Insurance costs – The annual contribution to the HRA insurance reserve
- Revenue Contribution to Capital Outlay – this is where funds held within the HRA are set aside to contribute towards the cost of capital works (in addition to Depreciation).

Inflationary Assumptions

5.31 The HRA budget includes inflationary assumptions in line with the Council's current assumptions in relation to pay and prices. The majority of inflation in the business plan is linked to the consumer price index rate (CPI), which the Office for Budget Responsibility has forecast will dip to 1.9 per cent in 2020, returning to the 2 per cent target thereafter. The business plan assumes a 2% CPI rate for each of the next 30 years.

This inflationary increase will only be applied to costs that are not already known, currently the rent income, the PFI unitary charges, and the Northwards management fee are known for 2020/21, so the 2% will only apply to a small proportion of the HRA costs.

6. Garage Rents

6.1 In 2015/16 as part of the budget strategy 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 an additional 3.92% to the annual increase applied to dwelling rents, for the five year period 2015/16- 2019/20. In order to ensure that the increase applied to garage rents remains in line with that applied to dwelling rents, it is proposed that 2020/21 garage rents increase by 2.7%, and the impact of the increase is shown in the table below:

	Annual Charge 2019/20	Weekly Charge 2019/20	Proposed Weekly Charge 2020/21	Proposed Weekly Increase
Site Only	£96.20	£1.85	£1.90	£0.05
Prefabricated	£213.72	£4.11	£4.22	£0.11
Brick Built	£251.16	£4.83	£4.96	£0.13

7. Reserves Forecast

7.1 Current projections show the HRA will not generate sufficient annual surpluses over the duration of the business plan to service the debt and maintain a positive balance. Based on the current assumptions within the plan, the HRA continues to hold reserves greater than £60m in order to avoid paying an increased amount of interest for the next eight years, but after that it incurs additional costs and moves into a deficit position in 26 years time and work is required in order to ensure this is remedied.

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 £60m 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 £2.4m 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. The current plan shows reserve levels falling to zero in 2032/33.

Reserves Forecast 2019/20 to 2022/23

7.3 The table below sets out the forecast reserves position for 2019/20 and the next three years. Based on the November forecast position the HRA closing reserves are forecast to be £110.4m, but these are forecast to reduce by over £18m in 2020/21 and further reductions in the following two years. The reductions in reserves relates predominantly to the ongoing capital investment proposals.

Reserve Description	2019/20 (Forecast) £000	2020/21 £000	2021/22 £000	2022/23 £000
General Reserve (including Major Repairs reserve)	74,605	56,447	42,231	27,963
Insurance Reserve	1,789	1,506	1,706	1,906
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**110,394**	**91,953**	**77,937**	**63,869**

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 for 2020/21.

7.5 Within the general reserve there is also a separately held HRA Insurance Reserve. This is required to ensure compliance with the ringfencing requirements. The balance required is determined by the likely liabilities arising from claims settled in any one year, there is an annual contribution to the reserve assumed within the current proposed HRA budget.

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 existing stock and development of new HRA 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 debit balance. The proposed budget for 2020/21, 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. The HRA continues to hold a prudent level of reserves that enables continued savings on HRA costs through self-funding part of the HRA debt. There is also an increase in the planned level of capital works over the 3 year period 2020/21 – 2022/23 that is partly funded from the existing HRA reserves.

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, and contributing towards increased resources available for further investment in the longer term. The medium/longer term forecast position has been affected significantly by the four year reduction in rents as mentioned previously.

9. Key Polices and Considerations

(a) Equal Opportunities

The rents have been set in line with the Government's guideline rent.

(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 the report.

Appendix 1 – Housing Revenue Account Budget 2019/20 – 2022/23

	2019/20 (Forecast) £000	2020/21 £000	2021/22 £000	2022/23 £000	See Para.
Income					
Housing Rents	-59,775	-60,881	-62,030	-63,497	5.6
Heating Income	-754	-600	-612	-625	5.15
PFI Credit	-23,586	-23,374	-23,374	-23,374	5.1
Other Income	-1,164	-1,281	-1,203	-1,069	5.10
Funding from General HRA Reserve	3,029	-18,441	-14,016	-14,068	7.1
Total Income	**-82,250**	**-104,577**	**-101,235**	**-102,633**	
Expenditure					
Northwards R&M & Management Fee	20,379	20,694	20,984	21,455	5.27
PFI Contractor Payments	31,824	36,296	32,599	31,639	5.1
Communal Heating	858	584	595	607	5.15
Supervision and Management	5,020	5,223	5,291	5,360	5.29
Contribution to Bad Debts	504	613	937	1,279	5.25
Depreciation	17,279	17,378	17,517	17,785	5.20
Other Expenditure	1,295	1,169	1,189	1,016	5.29
RCCO	2,287	19,841	19,360	20,762	5.29
Interest Payable and similar charges	2,804	2,779	2,763	2,730	5.2
Total Expenditure	**82,250**	**104,577**	**101,235**	**102,633**	
Total Reserves:					
Opening Balance	-107,365	-110,394	-91,953	-77,937	7.1
Funding (from)/to Revenue	-3,029	18,441	14,016	14,068	
Closing Balance	**-110,394**	**-91,953**	**-77,937**	**-63,869**	

Appendix 2 – Proposed Heating Tariffs

The table below shows the proposed heating charges for 2020/21 after applying reductions varying from 0% to a capped maximum of 20%. The point of sale customers purchase units of heat via their top up card, whilst the tenants who pay by their rent pay a set weekly fee for their heat and the overall usage is taken into account when calculating future years' charges.

Pay by Rents:

Property Type	Area/Scheme	Est. Property Numbers 19/20	18/19 Weekly Charge	19/20 Weekly Charge	20/21 Proposed Weekly Charge	% Reduction
Flat 1 Bed	Grove Village Tenants	12	£7.65	£9.01	£7.48	17%
House 2 Bed	Grove Village Tenants	58	£9.45	£11.13	£9.24	17%
House 3 Bed	Grove Village Tenants	85	£11.94	£14.07	£11.67	17%
House 4 Bed	Grove Village Tenants	23	£13.78	£16.23	£13.47	17%
Flat 1 Bed	Northwards Sheltered - Boiler Supply	116	£5.57	£6.68	£5.39	19%
Flat 2 Bed	Northwards Sheltered - Boiler Supply	67	£6.76	£8.11	£6.61	19%
Flat 1 Bed	Northwards Sheltered - Other supply	14	£5.57	£6.68	£5.39	19%
Flat 2 Bed	Northwards Sheltered - Other supply	11	£6.76	£8.11	£6.61	19%
2/4 Block	Northwards 2/4 Blocks - All Others	117	£5.61	£6.74	£5.39	20%
2/4 Block	Northwards 2/4 Blocks - Fuel Supp.	34	£0.48	£0.58	£0.46	20%
Mulitstorey Flat	Northwards - Multistorey - Sandyhill	37	£5.47	£6.56	£6.56	0%
Type A	Northwards - Victoria Square	52	£7.13	£8.56	£6.85	20%
Type B	Northwards - Victoria Square	51	£7.67	£9.20	£7.36	20%
Type C	Northwards - Victoria Square	15	£8.25	£9.90	£7.92	20%

Type D	Northwards - Victoria Square	33	£8.57	£10.28	£8.22	20%
Type E	Northwards - Victoria Square	13	£10.98	£13.17	£10.54	20%
Caretaker	Northwards - Victoria Square	1	£13.15	£15.78	£12.62	20%
Flat 1 Bed	Brunswick Sheltered	29	£5.57	£6.68	£5.39	19%
Flat 2 Bed	Brunswick Sheltered	1	£6.76	£8.11	£6.61	19%

Point of Sale:

Scheme	Estimated Property Numbers 19/20	18/19 Charge (per unit of heat)	19/20 Charge (per unit of heat)	20/21 Proposed Charge (per unit of heat)	% Reduction
Grove Village	318	5.91p	6.96p	5.78p	17%
MECO	288	8.13p	9.76p	7.81p	20%
Northwards Multistorey	444	7.36p	8.83p	7.06p	20%
Victoria Avenue (removed Wbeck)	470	5.43p	6.52p	5.22p	20%
Brunswick Multistorey	257	8.13p	9.76p	9.76p	0%

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Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020
Resources and Governance Scrutiny – 24 February 2020
Council – 6 March 2020

Subject: Treasury Management Strategy Statement 2020/21, including Borrowing Limits and Annual Investment Strategy

Report of: Deputy Chief Executive and City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2020/21 and Prudential Indicators for 2020/21 to 2022/23.

Recommendations

The Executive is requested to:

1. Recommend the report to Council.

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

The Resource and Governance Scrutiny Committee is requested to:

1. Recommend the report to Council.

The Council is requested to:

1. Approve the proposed Treasury Management Strategy Statement, in particular the:

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

2. Delegate to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power to

pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

Wards Affected - All

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

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

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

Financial Consequences – Capital

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

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Background documents (available for public inspection):

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

None

1. **Introduction**

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

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

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

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

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

Treasury Management Strategy for 2020/21

1.6 The suggested strategy for 2020/21 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, Link Asset Services.

The strategy covers:

Section 1: Introduction
Section 2: CIPFA Definition of Treasury Management
Section 3: Statutory and other Requirements
Section 4: Treasury Limits and Prudential Indicators for 2020/21 to 2022/23
Section 5: Impact of 2012 HRA reform
Section 6: Current Portfolio Position
Section 7: Prospects for Interest Rates
Section 8: Borrowing Requirement
Section 9: Borrowing Strategy

2 CIPFA Definition of Treasury Management

2.1 Treasury management is defined by CIPFA 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.'

3 Statutory and other requirements

Statutory requirements

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

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

3.3 The Department for Housing, Communities and Local Government (DHCLG) issued revised investment guidance which came into effect from the 1 April 2010. In 2017 the Department, now the Ministry of Housing Communities and Local Government (MHCLG) further updated its guidance on local government investments. CIPFA responded to these revisions by issuing an updated Code of Practice on Treasury Management and the Prudential Code in 2017. CIPFA also issued Public Services Guidance Notes in 2018 to support the changes made to the Codes.

CIPFA requirements

3.4 The CIPFA Code of Practice on Treasury Management has been adopted by the Council. This strategy has been prepared in accordance with the revised December 2017 Code.

3.5 The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
b) Creation and maintenance of Treasury Management Practices which set out the 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.

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

Balanced Budget Requirement

3.7 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. 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 means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure; and

- increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and Treasury Indicators for 2020/21 to 2022/23

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

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

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

4.4 The full set of Treasury limits and Prudential Indicators recommended by the Code and used by the Council, together with their suggested levels for 2020/21 is noted in Appendix A of this report.

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

5 The Housing Revenue Account – Impact of 2012 HRA Reform

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

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

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

GF. This ensures that the overall Council position is managed as effectively and efficiently as possible.

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

6 Current Portfolio Position

6.1 The forecast portfolio position for the end of the current financial year is shown below. Short term borrowing from the Greater Manchester Combined Authority (GMCA) relates to investments made by the City Council for the Housing Investment Fund which have not been novated across to the Combined Authority, and instead the GMCA is providing cash flow support to ensure that this ongoing arrangements remains cash neutral for the Council. Some of this debt relates to investments which have novated, and this will be cancelled rather than repaid – the accounting treatment for this is being discussed with external auditors, and the debt position unwound accordingly.

6.2 The Council's forecast treasury portfolio position at 31 March 2020 is:

Table 1	**Principal**			**Av Rate**
	GF £'m	HRA £'m	**Total £'m**	%
Long Term Borrowing				
PWLB	150.0	0.0	**150.0**	2.45
Market	336.8	61.9	**398.7**	4.48
Stock	0.9	0.0	**0.9**	4.00
SALIX	17.2	0.0	**17.2**	0.00
HCA	8.4	0.0	**8.4**	0.00
	513.3	61.9	**575.2**	
Short Term Borrowing				
GMCA – related to HIF	150.1	0.0	**150.1**	0.00
Other	4.5	0.0	**4.5**	1.15
	154.6	0.0	**154.6**	
Gross Debt	**667.9**	**61.9**	**729.8**	2.96
External Investments	(12.0)	0.0	**(12.0)**	0.70
Internal Balances (GF/HRA)	34.5	(34.5)	**0**	0.00
Net Debt	**690.4**	**27.4**	**717.8**	
Capital Financing Requirement			1,670.6	
Gross Debt			729.8	
Internal Borrowing			**940.8**	

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

6.4 The Capital Financing Requirement of the City Council as at 31 March 2020 is forecast to be c. £1,670.6m. The difference between this and the actual gross debt of the Council is c. £940.8m which is the amount of funding that the Council has internally borrowed, or has been funded through credit arrangements. This is a reflection of the Council's ongoing treasury strategy of using internal cash to reduce the amount of borrowing required rather than holding this cash as investments.

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

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

6.7 The portfolio at 31 March 2020 includes Council Stock with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where stockholders have not taken up the Council's redemption offer made in 2017/18.

7 Prospects for Interest Rates

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

- 2020: 0.75%
- 2021: 1.25%
- 2022: 1.50%

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

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

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

8 Borrowing Requirement

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

Table 2	**2020/21 £'m estimate**	**2021/22 £'m estimate**	**2022/23 £'m estimate**
Planned Capital Expenditure funded by Borrowing	200.4	197.8	133.3
Change in Grants & Contributions	21.9	26.0	43.4
Change in Capital Receipts	(0.2)	(4.3)	(8.5)
Change in Reserves	27.5	27.7	14.8
MRP Provision	(26.6)	(30.9)	(33.3)
Refinancing of maturing debt (GF)	3.0	6.8	7.5
Refinancing of maturing debt (HRA)	0.0	0.5	0.8
Estimated Borrowing Requirement	**226.0**	**223.6**	**158.0**
Funded by:			
GF	226.0	223.1	157.2
HRA	0.0	0.5	0.8

9 Borrowing Strategy

General Fund

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

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

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

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

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

HRA

9.6 The Council's proposed capital budget for 2020/21 and beyond does not contain any requirement for the HRA to borrow. It is expected that proposals will be brought forward that require funding via borrowing so it is likely the HRA will have a borrowing requirement in 2020/21. The level of borrowing affordable is restrained by the statutory requirement for the HRA Business Plan to avoid going into a deficit.

9.7 The impact of any required further long term borrowing on the Business Plan will be reviewed which will inform the borrowing options pursued. Any temporary borrowing required will be sought from the General Fund. This is discussed further in Appendix I.

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

Borrowing Options

9.9 As stated above the Council's borrowing strategy will firstly utilise internal borrowing. However as the overall forecast is for long term borrowing rates to increase the short term advantage of internal and short term borrowing will be weighed against the potential cost if long term borrowing is delayed as rates for longer term loans are expected to increase.

9.10 New borrowing will be considered in the forms noted below. All options will be evaluated alongside their availability and which provides best value for money. The options below are not presented in a hierarchical order.

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

PWLB borrowing is available for between 1 and 50 year maturities on various bases. This offers a range of options for new borrowing which could spread debt maturities away from a concentration in longer dated debt and allow the Council to align maturities to MRP.
In October 2019 the Treasury increased all PWLB rates by 100 basis points, citing concerns regarding the increased levels of debt local authorities were requesting in the current low-rate market environment. This means that although PWLB remains a highly accessible form of debt finance, it may not provide value for money and other market options may be preferable.

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

Table 3	**Mar 20**	**Jun 20**	**Sep 20**	**Dec 20**	**Mar 21**	**Mar 22**	**Mar 23**
	%						
Bank Rate	0.75	0.75	0.75	0.75	1.00	1.00	1.25
5 yr PWLB rate	2.40	2.40	2.50	2.50	2.60	2.90	3.20
10 yr PWLB rate	2.70	2.70	2.70	2.80	2.90	3.20	3.50
25 yr PWLB rate	3.30	3.40	3.40	3.50	3.60	3.90	4.10
50 yr PWLB rate	3.20	3.30	3.30	3.40	3.50	3.80	4.00

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

- **European Investment Bank (EIB)**

The EIB's rates for borrowing are generally favourable compared to PWLB although the margin of benefit has now reduced. Rates can be forward fixed for borrowing from the EIB and this option will be considered if the conditions can be met and it offers better value for money.
The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.

- **Third Party Loans**

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

- **Homes and Communities Agency funding**

This is funding from Government and can only be used in specific circumstances. It 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 City Council is currently the accountable body for these funds, but decisions on how the funding should be used are made by the Greater Manchester Combined Authority. It is anticipated that the existing debt of this type held by the City Council, shown in the forecast portfolio earlier in this report, will be novated to the Combined Authority in 2020.

- **Inter-Local Authority advances**

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

- **Market Loans**

Following the increase in PWLB rates noted above, there has been a considerable increase in market activity relating to local authority debt. At the time of writing the report, the market is still developing and may take a couple of months to form and for debt pricing and structure to become clear.

It is anticipated that there will be a range of structures available, including forward starting loans.

- **Local Authority Bond Agency**

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

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

Although the Agency's aim is to raise finance for Local Authorities by issuing municipal bonds to capital markets, at the time of writing the first bond has yet to be issued. The Council will continue to monitor the Agency's development and whether it can offer a competitive option for future borrowing.

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

9.12 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 that the Council's current LOBO loans are unlikely to be called in the medium term at current interest rates.

Sensitivity of the forecast

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

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

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

External v. Internal borrowing

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

9.15 The next financial year is again expected to be one of historically low Bank Rate. This provides a continuation of the opportunity for local authorities to review their strategy of undertaking new external borrowing. At Appendix F there is an in depth analysis of economic conditions provided by Link Asset Services, the Council's independent treasury advisors.

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

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

9.18 Against this background caution will be adopted within 2020/21 treasury operations. The Deputy Chief Executive and City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

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

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

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

Forward Fixing

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

Debt Rescheduling

9.22 It is likely that opportunities to reschedule debt in the 2020/21 financial year will be limited due to prevailing debt interest rates being relatively low.

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

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

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

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

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

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

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

10 Annual Investment Strategy

HRA

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

General Fund

Introduction

10.2 The Council will have regard to the MHCLG's Guidance on Local Government Investments (the Guidance) and the 2011 and 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

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

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

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

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

Investment Policy

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

10.7 As in previous years, the Council will not just utilise ratings as the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. The Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps'[1] and overlay that information on top of the credit ratings.

10.8 Investment in banks and building societies are now exposed to bail-in risk following the introduction of the EU's Banking Recovery and Resolution Directive, which means depositor's funds over £85,000 are at risk of "bail-in" if the bank fails. In response to this, the Council adopted lower operational limits for such investments in 2016/17 and these remain.

10.9 The exception is 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 operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2019/20 will be maintained in 2020/21.

10.10 In line with the policy adopted in this strategy in previous years, options to diversify the investment portfolio have been reviewed and adopted. The

[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 the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.

Council now actively uses money market funds alongside deposits with banks, other local authorities and the Debt Management Agency.

10.11 For 2020/21 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification each of these options offer the Council benefits which are noted in more detail below. These instruments require the Council to have specific custodian and broker facilities which have been opened. Officers are working to monitor these markets to prompt participation in the instruments when rates are favourable, and to identify and resolve any governance challenges arising from investing in instruments which have an active secondary market. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

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

Specified and Non-Specified Investments

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

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

Table 4	**Minimum ‘High’ Credit Criteria**	**Use**
Term deposits – banks and building societies[2]	See Creditworthiness Policy.	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

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

Table 4	Minimum ‘High’ Credit Criteria	Use
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

Creditworthiness Policy

10.15 The Council applies the creditworthiness service provided by Link 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. Link supplement the credit ratings of counterparties with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

10.16 The above are combined 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.

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

10.18 In summary the Council will approach assessment of creditworthiness by using the Link counterparty list and then applying its own counterparty limits and durations. All credit ratings will be monitored 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 Link creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of Credit Ratings, the Council will be advised of information in Credit Default Swap against the iTraxx benchmark[3] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council’s lending list.

10.19 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

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

government support for banks and the credit ratings of that government support.

Investment Limits

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

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

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

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

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

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

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

10.23 It is proposed that the limit for Money Market Funds increases by £15m, when compared to last year's Strategy. This reflects the role the funds have been playing in the Council's investment portfolio, and would allow the Council to have 5 active funds as opposed to 4. There is a risk to taking this approach, in that it potentially increases the investments in one type of instrument at any given time, but the nature of Money Market Funds and the diversification of instruments within the Fund helps to mitigate this.

10.24 It may be prudent 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 Deputy Chief Executive and City Treasurer and any increase in the limits will be reported to Members through the normal treasury management reporting process.

Durational Limits

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

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

Money Market Funds

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

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

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

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

Treasury Bills

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

10.32 Weekly tenders are held for Treasury Bills so the Council could invest funds on a regular basis. This would provide a spread of maturity dates and reduce the volume of investments maturing at the same time.

10.33 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 to purchase them in the secondary market. In the majority of cases the Council will hold to maturity to avoid any potential capital loss from selling before maturity and will only sell the Treasury Bills early if it can demonstrate value for money in doing so.

Certificates of Deposit

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

Covered Bonds

10.35 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

10.36 Based on cash flow forecasts, the level of cash balances in 2020/21 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

10.37 Link's view of forecast Bank Rate is noted at Section 9. The current economic outlook is that the structure of market interest rates and government debt yields have several key treasury management implications.

10.38 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years. Link's view is that Bank Rate will rise to 1.00% by March 2021.

10.39 This suggest that investment returns are likely to remain relatively low during 2020/21, and beyond given the global economic outlook.

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

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

10.42 For 2020/21 it is suggested the Council should target an investment return of 0.50% 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

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

Policy on the use of External Service Providers

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

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

11 Scheme of Delegation

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

12 Role of the Section 151 Officer

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

13 Minimum Revenue Provision (MRP) Strategy

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

14 Recommendations

14.1 Please see page 1 of the report for the list of recommendations.

15 Contributing to a Zero-Carbon City

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

16 Contributing to the Our Manchester Strategy

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

17 Key Policies and Considerations

(a) Equal Opportunities

17.1 None.

(b) Risk Management

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

(c) Legal Considerations

17.3 None.

Appendix A

Prudential and Treasury Indicators for approval

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	**2020-21 %**		**2021-22 %**		**2022-23 %**
Estimated Financing Costs to Net Revenue Stream[4]	6.7%		7.3%		7.4%
Authorised Limit - external debt	£m		£m		£m
Borrowing	1,384.5	(1,684.5)	1,396.2	(1,412.9)	1,396.2
Other long term liabilities	190.0	(170.0)	190.0	(170.0)	190.0
TOTAL	1,574.5	(1,900.5)	1,586.2	(1,582.9)	1,586.2
Operational Boundary - external debt					
Borrowing	1,006.2	(1,151.7)	1,176.9	(1,275.0)	1,295.5
Other long term liabilities	190.0	(170)	190.0	(170.0)	190.0
TOTAL	1,196.2	(1,321.7)	1,366.9	(1,445.0)	1,485.5
Estimated external debt	792.8	(977.4)	1,016.4	(1,141.5)	1,174.3
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	339.6	(370.3)	260.2	(207.4)	180.2
HRA	38.8	(48.7)	28.6	(36.6)	28.1
TOTAL	378.4	(419.0)	288.8	(244.0)	208.3
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1,543.1	(1,477.1)	1,706.5	(1,611.1)	1,802.5
HRA	299.2	(299.2)	300.0	(300.0)	301.0
TOTAL	1,842.3	(1,776.3)	2,006.5	(1,911.1)	2103.5

Maturity structure of borrowing during 2020-21	Upper Limit		Lower limit	
under 12 months	80%	(80%)	0%	(0%)
12 months and within 24 months	70%	(70%)	0%	(0%)
24 months and within 5 years	60%	(50%)	0%	(0%)
5 years and within 10 years	50%	(50%)	0%	(0%)
10 years and above	80%	(80%)	40%	(40%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

[4] Note that for 2021-22 onward these are based on estimated net revenue budgets.

The status of the indicators will be included in Treasury Management reporting during 2020/21. They will also be included in the Council's Capital Budget monitoring reports during 2020/21.

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

Estimated Financing Costs to Net Revenue Stream

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

Estimated Capital Expenditure

The authority sets a capital budget for each financial year, which includes an estimate of the capital expenditure which might be incurred. The figures here also include changes to other long term liabilities.

Estimates Capital Financing Requirement

The capital financing requirement reflects the authority's underlying need to finance capital expenditure, and is based on all capital expenditure including that incurred in previous years.

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Other long term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1st of April 2020, more of the Council's lessee leases will be classed as finance leases and will therefore fall under the categorisation, therefore the value has increased from previous years. Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage, and will be reviewed once this work is complete. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario. Risk analysis and risk management strategies should be 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.

Estimated 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 Estimated External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual external debt during the year can be compared.

Upper limit for total principal sums invested for over 364 days

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

Maturity structure of new borrowing

The authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. These indicators are referred to as the Upper and Lower limits respectively for the Maturity Structure of Borrowing.

Local Prudential Indicators

The Council has not yet introduced Local Prudential Indicators to reflect local circumstances, but will review on a regular basis the need for these in the future.

<u>Appendix B</u>

Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2020/21 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).

MHCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

- ***Option 1:*** Regulatory Method – can only be applied to capital expenditure incurred prior to April 2008 or Supported Capital Expenditure. This is calculated as 4% of the non-housing CFR at the end of the preceding financial year, less some transitional factors relating to the movement to the new Prudential Code in 2003.

- ***Option 2:*** CFR Method – a provision equal to 4% of the non-housing CFR at the end of the preceding financial year.

- ***Option 3:*** Asset Life Method – MRP is calculated based on the life of the asset, on either an equal instalment or an annuity basis.

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be taken into account in the calculation of Government funding due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of c. 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of notional RSG the Council receives has reduced in recent years, it was considered prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It was therefore agreed that from 2017/18 a provision of 2% of the non-housing CFR as at the end of the preceding financial year is to be made. This is in line with many other local authorities who have reviewed the basis for their MRP and have applied similarly revised policies.

It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with MHCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:
  - Asset Life Method – MRP will be based on a straight line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

  - If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.

Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's Balance Sheet, and with the introduction of IFRS16 (Leasing) from the 1st of April 2020 more lessee leases will be classified in a similar way. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the Balance Sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the Balance Sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss from a third party of high credit quality, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

Appendix C

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered 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 **Deputy Chief Executive and City Treasurer**
- delivery of the function

Appendix E

The Treasury Management role of the Section 151 Officer

The S151 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

The points noted above reflect the specific responsibilities of the S151 Officer prior to the 2017 CIPFA Treasury Management Code revisions. The CIPFA Prudential Code revision which followed the MHCLG revised guidance on local government investments represents a major extension of the functions of the S151 Officer role, especially in respect of non-financial investments which CIPFA define as being part of treasury management.

The additional functions of the S151 Officer role are:

- preparation of a capital strategy with a long term timeframe to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
  - Risk management including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
  - Reporting and management information including where and how often monitoring reports are taken;
  - Training and qualifications including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Appendix F

Economic Background as at December 2019 – Link Asset Services

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report,** (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that “domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term”.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England’s target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump’s massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018.

In July 2019, it cut rates by 0.25% as a ‘midterm adjustment’ but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of Targeted Long Term Refinancing Operations**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of

Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates**.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of

England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.

- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix G

Prospects for Interest Rates

The data below shows the latest interest rate forecast from the Council's treasury management advisors, Link Asset Services, dated 11th November 2019.

Link Asset Services Interest Rate View

%	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

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.

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 than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

Appendix I

Treasury Management Implications of HRA Reform

As discussed in Section 5 of the report, the reform of the HRA finance system has consequences for the treasury management of the Council. As part of the reform, the HRA's debt portfolio needs to be separately identifiable to that of the General Fund, and the HRA will hold some autonomy over the management of its debt portfolio. However, in order to ensure that the treasury management function of the Council remains effective and provides value for money, and given that the Section 151 officer for both the General Fund and the HRA is the Deputy Chief Executive and City Treasurer, the HRA's treasury portfolio must be run in the context of the overall Council portfolio.

This appendix seeks to explain how the debt portfolio of the Council has been split between the General Fund and the HRA, and how the HRA treasury position will be managed going forward.

The Portfolio Split

One of the principles behind the reform of HRA finance was to provide some level of treasury autonomy for the HRA, separating its debt from the Council's so that its treasury position could be managed separately. To achieve this, the debt portfolio was to be split at the point that the debt settlement was made.

On the 28 March 2012, the Council received c. £294m which was to be used to reduce the debt held by the Council. The table below shows the Council's treasury portfolio before and after the settlement:

	Pre reform		Post reform
	£'000		*£'000*
PWLB Market Stock	199,966 549,640 8,159		0 480,215 8,159
Gross Debt Deposits	**757,765** -17,954		**488,374** -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 HRA	675,454 418,463		675,454 124,187	84.47% 15.53%
Total	**1,093,917**		**799,641**	**100.00%**
Of which financed: *Of which unfinanced:*			*488,374* *311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the Deputy Chief Executive and City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA's treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***

- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***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.

Manchester City Council
Report for Information

Report to: Executive – 12 February 2020

Subject: Budget Consultation 2020/21 - Results

Report of: The Deputy Chief Executive and City Treasurer and the Head of Strategic Communications

Summary

This report provides a summary of the results of the budget consultation on the Executive's draft budget proposals for 2020/21, as well as a summary of the responses received.

Recommendation

To note the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The budget supports all corporate priorities including the zero-carbon target for the city.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Council's budget supports the delivery of the Our Manchester Strategy outcomes and all of Our Corporate Priorities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Contact Officer:

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Position: Head of Strategic Communications
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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.

Online budget consultation (consultation now closed) - www.manchester.gov.uk/budget

1.0 Introduction

1.1 The Council consulted with residents on the Executive's draft one-year 2020/21 budget options and proposed Council Tax increases for a four week period from 6 January 2020 to 2 February 2020.

1.2 As the budget for 2020/21 is a one-year forward planning budget, and there have been no statutory consultations around individual options identified, a full 12 week budget consultation was not required.

1.3 This report provides the full results of the consultation and a summary of coded free text responses and comments.

2.0 Budget consultation

2.1 Due to the pre-Christmas political uncertainties the Government's announcement of the Provisional Local Government Finance Settlement was delayed. A one-year budget was set for 2020/21 with budget options proposed for consultation.

2.2 As a result of the delays, budget communications were split into two distinct phases:

Phase one:

- 23 December 109 - 5 January 20: **Budget update**

Phase two:

- 6 January 20 - 2 February 20: **Budget options consultation** – have your say on our options (residents and businesses)
- 7 January – 5 March 20: **Budget messages -** You said, we did
- 6 March 20 - **Budget confirmation** - Confirmation of the agreed budget post full Council.

2.3 Phase one provided staff and residents with information about the budget setting process, the delays to the announcement of the provisional budget settlement from Government, the anticipated one-year budget and the budget timetable.

2.4 Phase two provided opportunities for residents, businesses and other stakeholders to comment on the council tax proposals, and provide suggestions and comment on the budget options overall.

2.5 The 'you said, we did' communications will deliver broad awareness of:

- the breadth of services the Council provides
- how the Council is funded
- how the Council's budget is currently spent
- the work undertaken by staff to reduce the budget deficit
- the scale of the budget challenge, as far as we are currently aware, faced by the Council – both in increasing need and decreasing resources

2.6 The final stage of phase two will communicate the budget decision post full Council on 6 March and share more detail on how we'll spend our budget.

3.0 Channels and engagement

3.1 All the budget option information was available on the Council website at www.manchester.gov.uk/budget. This included a plain English narrative of the budget and consultation process and summaries of all the directorate papers, including links to the full committee reports. The summaries were produced to provide an outline of the budget options that is easier for residents to read and digest.

3.2 Communications channels comprised an online and paper questionnaire and a social media campaign across a range of platforms using a mix of organic, boosted and paid-for targeted posts, supported by engaging digital content.

3.3 Activity was supported by proactive media releases and reactive media statements. Simple infographics were used to explain some of the key facts and figures in an easily digestible way.

3.4 Staff were also actively engaged with content in The Buzz and The Forum informing people of the budget options and signposting staff to the consultation.

3.5 2,188 unique visitors visited the budget and budget consultation website pages, 25% were referred from activity on Facebook (the top referral channel) and 10% from Twitter. After the budget homepage, the majority of users (36%) visited the 'Introduction page', followed by the council tax page (12%), homelessness budget page (7%) and Neighbourhoods page (6%). The least visited was the Corporate Services budget update page (3%).

3.6 The consultation has been promoted on Council social media channels including Facebook, Twitter and LinkedIn signposting them to the online survey. Messages have also been shared on active local Facebook groups in Didsbury, Gorton, Levenshulme, Moston/Harpurhey and Chorlton to increase reach.

3.7 Responses were monitored at intervals throughout the life of the consultation paid social media activity was used to target particular areas of the city and ethnicities to increase engagement where there were imbalances in completion.

3.8 Across social media channels 15 organic budget messages have been posted to date with a reach of 95,000 users on Facebook and 37,982 impressions on Twitter. Activity resulted in 808 click throughs to the consultation pages.

3.9 Budget messages were shared with residents via the Council's monthly e-bulletin, resulting in 162 click throughs to the web pages.

3.10 Printed questionnaires were sent to all libraries and issued to all Councillors to distribute at a local level if desired. 32 printed questionnaires were returned.

4.0 Consultation questionnaire

4.1 The consultation asked five questions, two main questions, with three additional open text boxes included to give residents the opportunity to fully express their views and give general comments on the budget options.

1. Do you agree or disagree that we should protect adult social care by increasing council tax by 2%?
2. Additional free text box

3. Do you agree or disagree that we should continue to invest in the services which residents told us matter most, such as roads, neighbourhoods and homelessness, even if this would require a further 1.99% increase in council tax?
4. Additional free text box

5. Please give any general views and comments on the proposed budget. Please also suggest any ways that you and your community could support the things that matter to you. (Free text box)

4.2 200 people completed the consultation questionnaire, 168 online and 32 filled in and returned a printed copy. Whilst this is a much lower response rate when compared to the 2017/20 consultation, this budget consultation is on council tax increases, with a general request for comment, rather than a consultation on budget cuts, closures and savings which would usually generate more interest, engagement and comment.

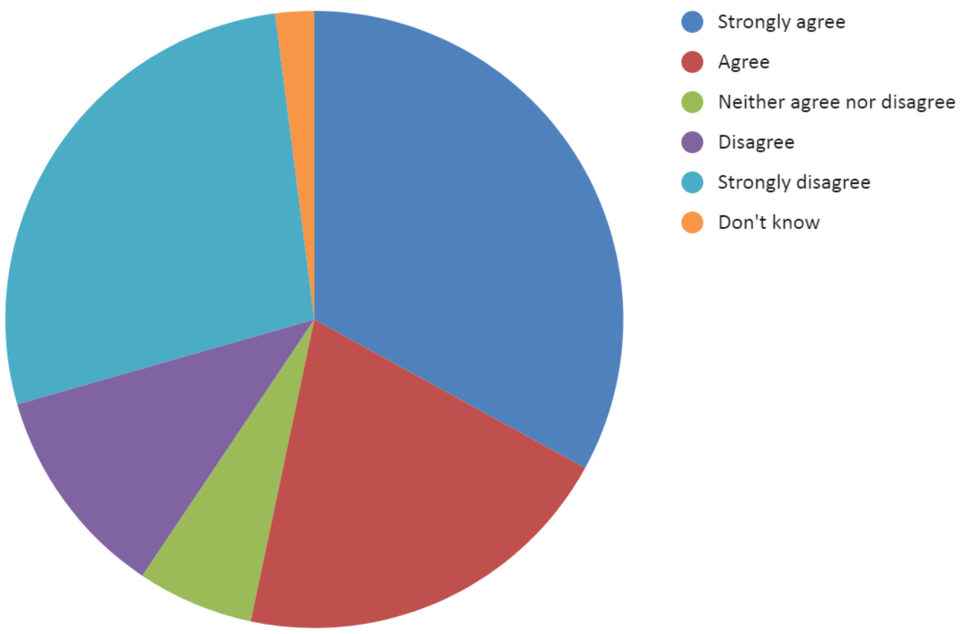
5.0 Consultation questionnaire analysis

5.1 Q1 & Q2 Increasing council tax by 2% to protect adult social care.
In question 1, members of the public were asked in a closed question whether or not they ‘agree or disagree that we should protect adult social care by increasing council tax by 2%’. 53% of respondents agreed (33% strongly agree and 20% agree). 11% disagreed and 27% strongly disagreed. See table 1 below.

Table 1

Do you agree or disagree that we should protect adult social care by increasing council tax by 2%?			
Answer Choice		**Response Percent**	**Response Total**
1	Strongly agree	33.0%	65
2	Agree	20.3%	40
3	Neither agree nor disagree	6.1%	12
4	Disagree	11.2%	22
5	Strongly disagree	27.4%	54
6	Don't know	2.0%	4
		answered	**197**
		skipped	**5**

Do you agree or disagree that we should protect adult social care by increasing council tax by 2%?



5.2 Respondents were also presented with a free text field to leave comments. In their comment, each respondent could include one or several suggestions. Overall, 107 suggestions were provided in response to this question by 81 respondents. These are shown in Graph 1 below.

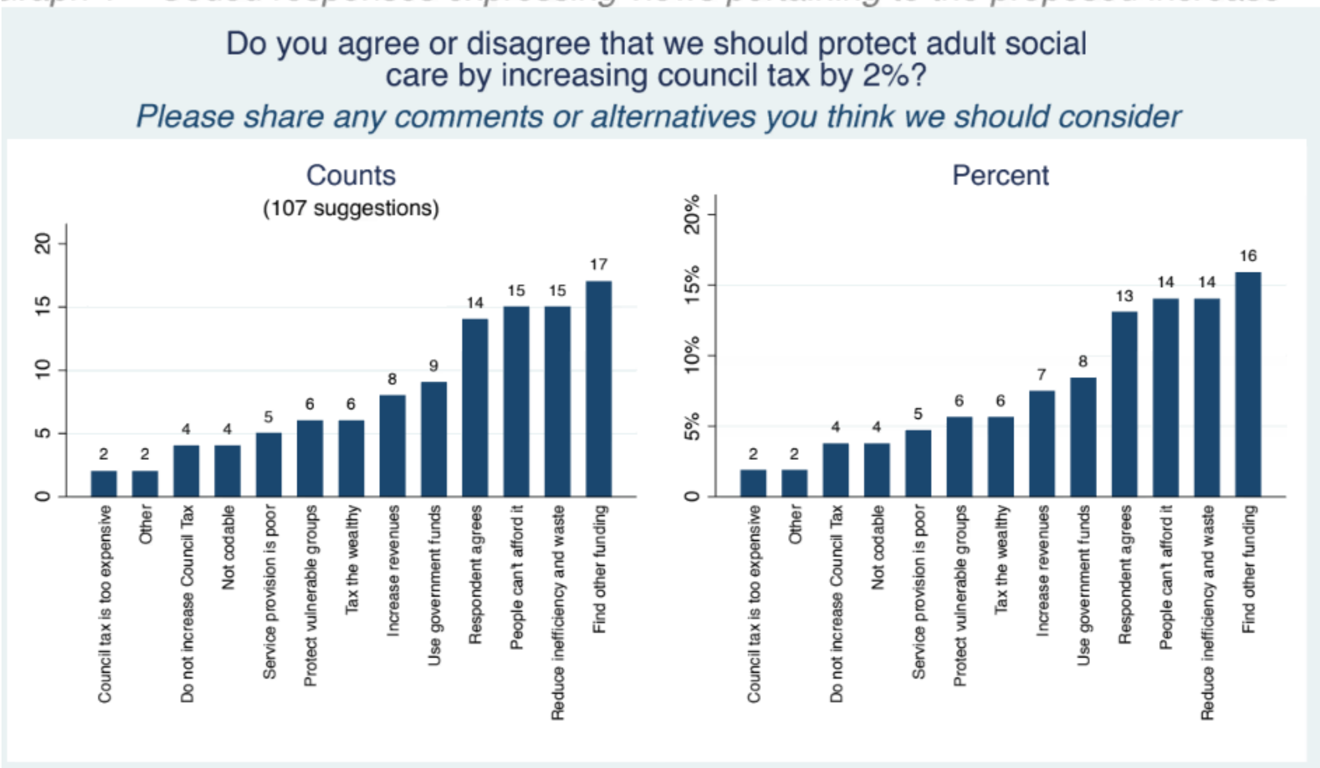
5.3 16% (17 suggestions) suggested finding alternative funding from within the Council's existing funds, with an additional 14% (15 suggestions) suggesting reducing waste and inefficiency in the use of existing funds. Moreover, 7% (8 suggestions) suggested that MCC revenues should be increased (through fines or events). Finally, 5% (5 suggestions) mentioned that current service provision is poor.

5.4 14% (15 suggestions) expressed concern that people won’t be able to afford the increase, with an additional 2% (2 suggestions) suggesting that Council Tax is too expensive. 4% (4 suggestions) of respondents simply stated that Council tax should not be increased. 13% (14 suggestions) stated their agreement with the increase.

5.5 8% (9 suggestions) mentioned that government funds should be used. A further 6% (6 suggestions) mentioned that vulnerable groups should be protected.

5.6 As seen in Graph 1 below, of the overall number of responses, 4 responses could not be coded or were not relevant (responses that were out of context, unintelligible or presented particular situations without actually addressing the issue under consultation).

Graph 1 – Coded responses expressing views pertaining to the proposed increase



5.7 Overall, 36% of suggestions were given by individuals who were in favour of the proposal. Of those respondents who agreed with the proposal, the following suggestions were made:

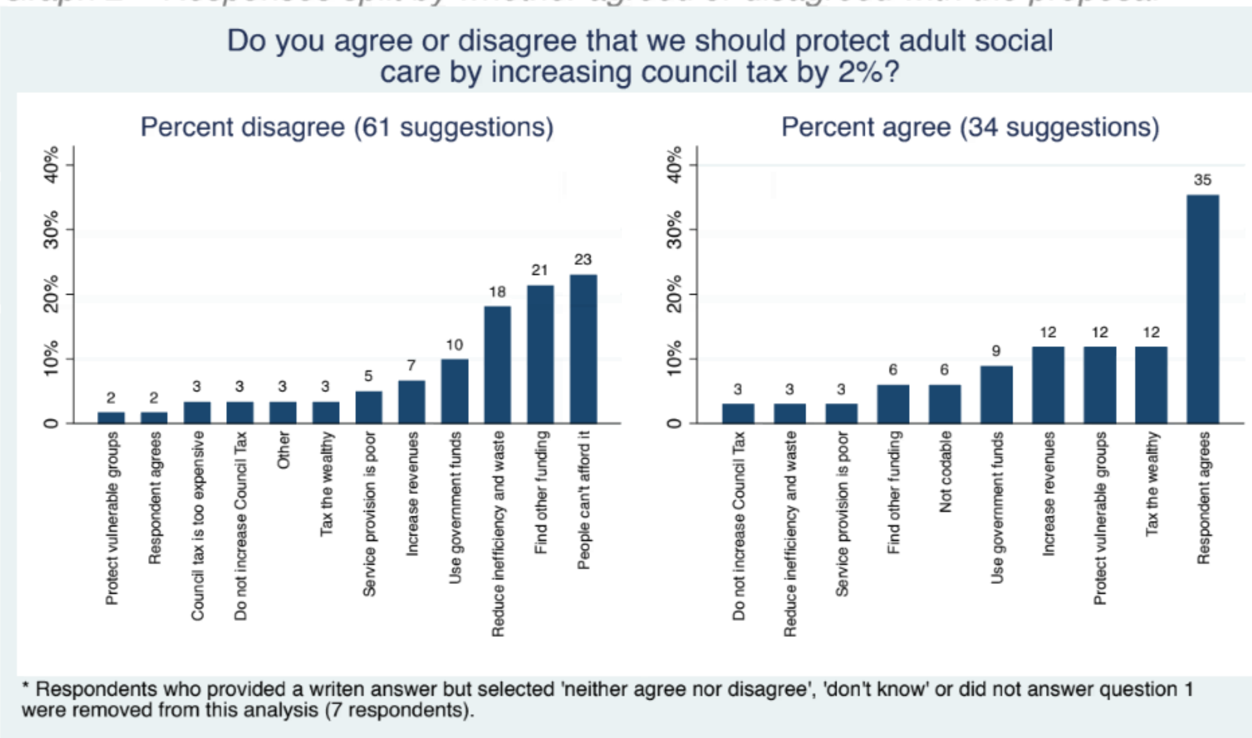
- 35% (12 suggestions) restated their agreement
- 12% (4 suggestions) suggested taxing the wealthy
- 12% (4 suggestions) suggested that MCC should increase revenues
- 12% (4 suggestions) mentioned that vulnerable groups should be
- protected
- 9% (3 suggestions) suggested using government funds,

- 6% (2 suggestions) suggesting finding alternative funding from within the Council's existing funds

5.8 Of those respondents who disagreed with the proposal (see Graph 2), the following suggestions were made:

- 23% (14 suggestions) said people will not be able to afford the increase
- 21% (13 suggestions) suggested finding alternative funding from within the Council's existing funds
- 18% (11 suggestions) focused on the need to reduce inefficiency and waste
- 10% (6 suggestions) mentioned using government funds

Graph 2 – Responses split by whether agreed or disagreed with the proposal

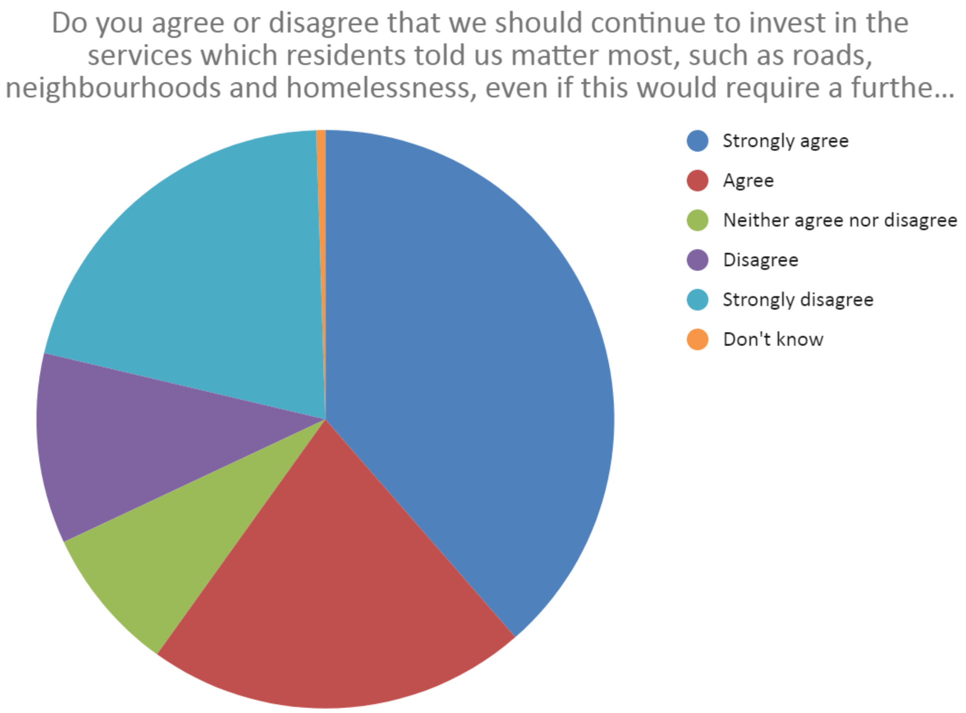


5.9 Q3 & Q4 Manchester City Council should continue to invest in the services which residents told us matter most, such as roads, neighbourhoods and homelessness, even if this would require a further 1.99% increase in council tax?

In Question 3, members of the public were asked in a closed question whether or not they agree or disagree that Council Tax should be increased by a further 1.99% to invest in roads, neighbourhoods and homelessness. Almost 60% agreed (39% strongly agreed and 21% agreed). 11% disagreed, 22% strongly disagreed.

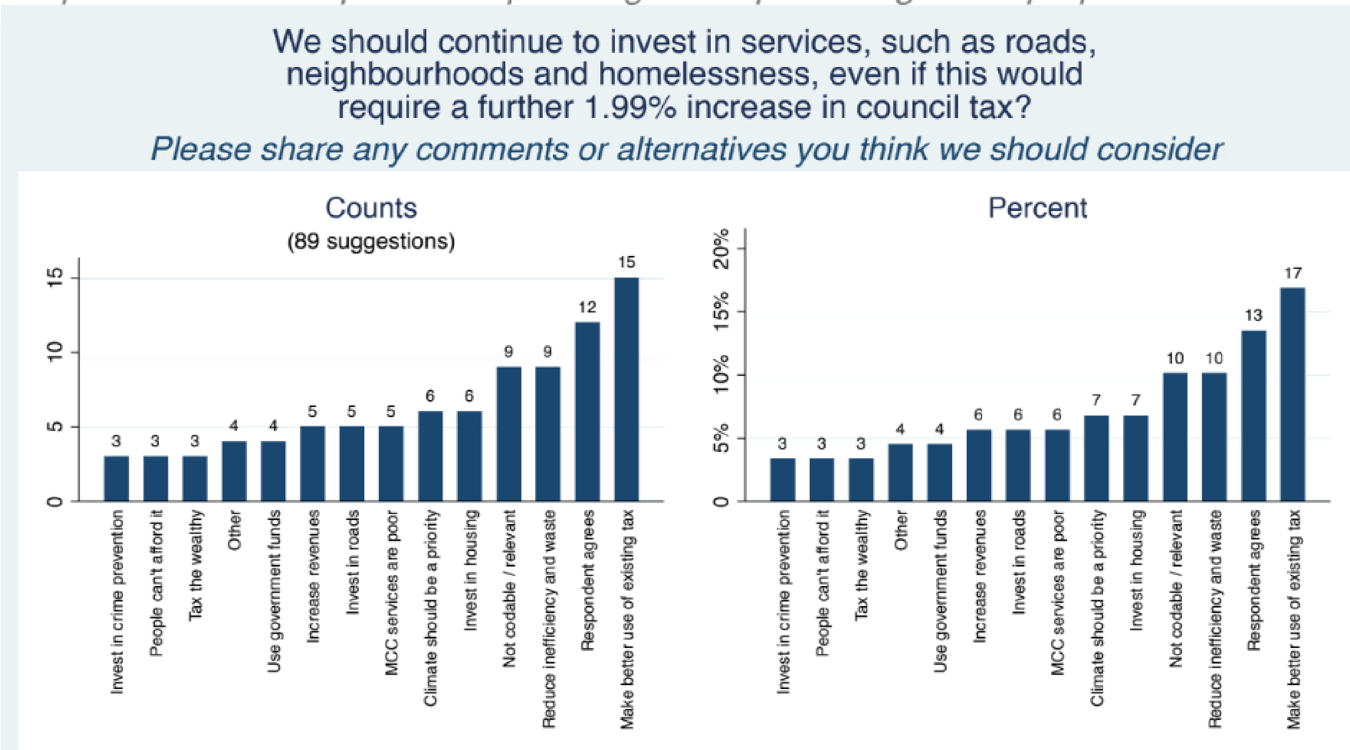
Table 2

Do you agree or disagree that we should continue to invest in the services which residents told us matter most, such as roads, neighbourhoods and homelessness, even if this would require a further 1.99% increase in council tax?			
Answer Choice		**Response Percent**	**Response Total**
1	Strongly agree	38.6%	76
2	Agree	21.3%	42
3	Neither agree nor disagree	8.1%	16
4	Disagree	10.7%	21
5	Strongly disagree	20.8%	41
6	Don't know	0.5%	1
		answered	**197**
		skipped	**5**



5.10 All those who participated in the consultation were provided space to leave comments. In their comment, each respondent could include one or several suggestions. Overall, 89 suggestions were provided by 77 respondents. These are shown in Graph 3.

Graph 3 – Coded responses expressing views pertaining to the proposed increase



5.11 17% (15 suggestions) mentioned making better use of existing tax. A further 10% (9 suggestions) suggesting that inefficiency and waste should be reduced, while another 6% (5 responses) mentioned that MCC services are poor. Finally, 6% (5 responses) suggested increasing revenues.

- 13% (12 suggestions) stated their agreement with the increase
- 7% (6 suggestions) suggested investing in housing to tackle homelessness
- while investment in roads was mentioned by 6% (5 suggestions)
- 7% (6 suggestions) mentioned that climate should be a priority
- 4% (4 suggestions) argued that government funds should be used
- 3% (3 suggestions) mentioned investment in crime prevention

5.12 As seen in Graph 3, there were a number of other suggestions such as taxing the wealthy (3% - 3 suggestions) and the fact that people cannot afford the increase (3% - 3 suggestions).

5.13 Finally, 9 responses were not codable or not relevant (responses that were out of context, unintelligible or presented particular situations without actually addressing the issue under consultation).

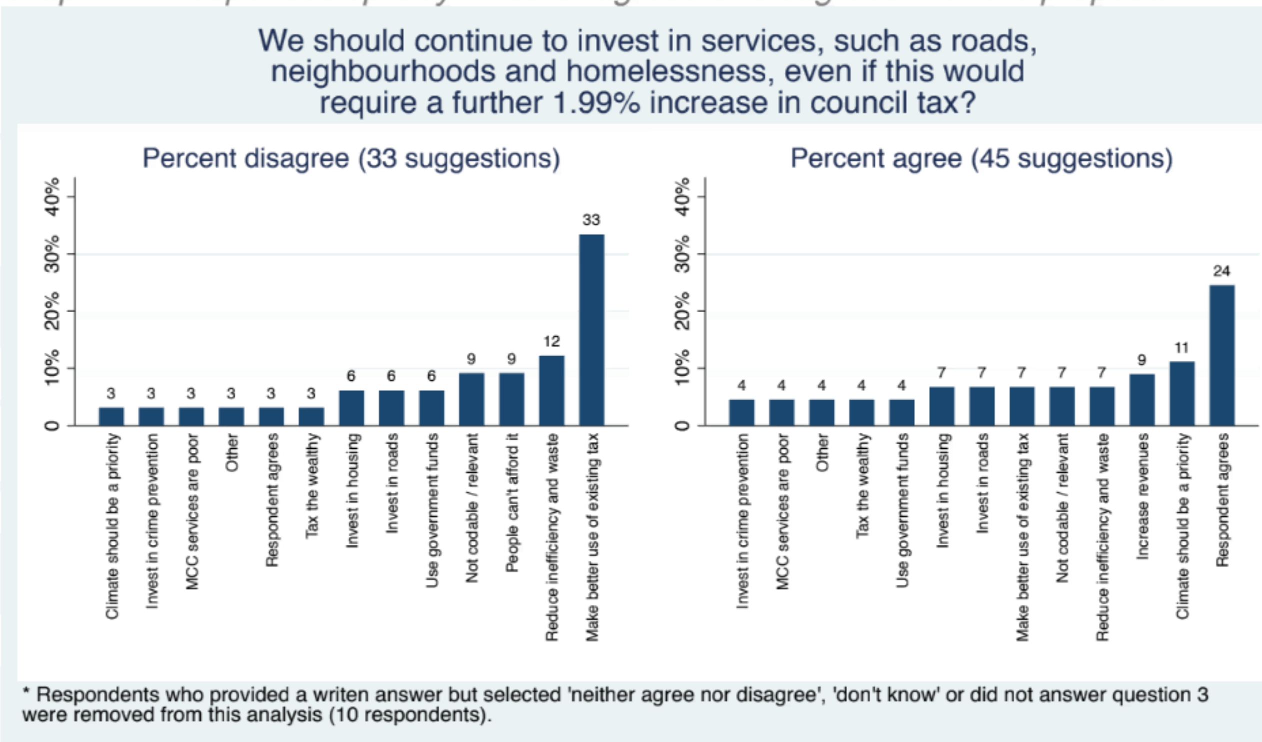
5.14 Graph 4, below, displays the suggestions by whether respondents agreed or disagreed with the additional increase (question 3).

5.15 Overall, 58% of suggestions were given by individuals who were in favour of the proposal (agreed or strongly agreed with the increase). Among the suggestions provided by respondents who agreed with the additional 1.99% increase to Council Tax:

- 24% (11 suggestions) simply restated their agreement
- 11% (5 suggestions) mentioned that climate should be a priority

5.16 With regard to those respondents who disagreed with the proposal, 33% (11 suggestions) suggested that MCC should make better use of the existing tax.

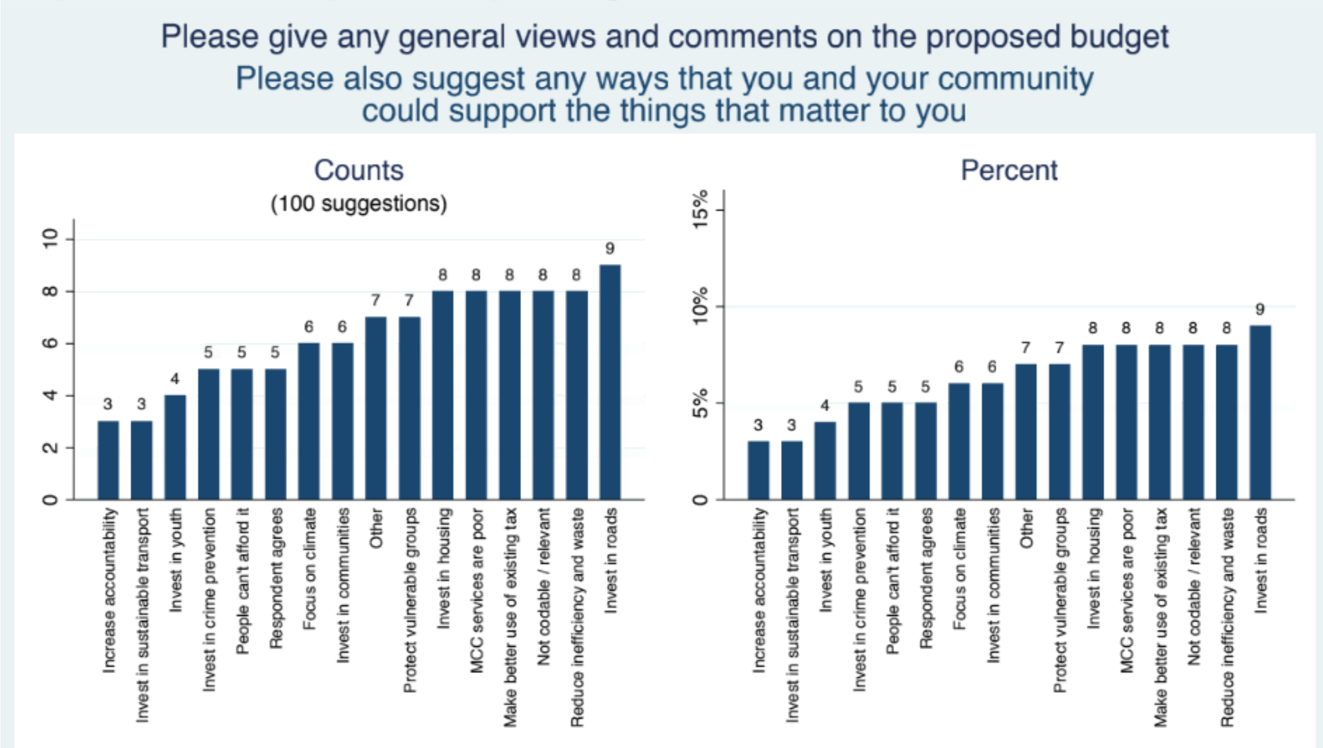
Graph 4 – Responses split by whether agreed or disagreed with the proposal



5.17 Q5 Please give any general views and comments on the proposed budget. Please also suggest any ways that you and your community could support the things that matter to you.

In question 5, members of the public were given space to provide general comments or views on the budget options. In their comment, each respondent could include one or several suggestions. Overall, 100 suggestions were provided by 89 respondents. These are shown in Graph 5.

Graph 5 – Coded responses expressing views



5.18 The results displayed in Graph 5 show that:

- 27% (27 suggestions) refer to the activity and performance of Manchester City:
    - 8% (8 suggestions) suggest reducing inefficiency and waste
    - A further 8% (8 suggestions) suggested making better use of existing tax
    - A further 8% (8 suggestions) mentioned that MCC services are poor
    - 3% (3 suggestions) mention the need to increase accountability and transparency in the use of public funds

- 33% (33 suggestions) mention the need for investments in various areas:
    - 9% (9 suggestions) mention a need to invest in roads
    - 8% (8 suggestions) mention a need to invest in housing as a way of tackling homelessness
    - 6% (6 suggestions) mention a need to focus on climate related issues
    - 6% (6 suggestions) mention a need to invest in communities
    - 5% (5 suggestions) mention a need to invest in crime prevention
    - 4% (4 suggestions) mention a need to invest in youth
    - 3% (3 suggestions) mention a need to invest in sustainable transport (bus lanes, cycling, etc.)
- 7% (7 suggestions mention a need to protect vulnerable groups.
- 5% (5 suggestions) mention that people will not be able to afford the proposed increases.
- 5% (5 suggestions) mention their agreement with the increases.
- Finally, 8 responses were not codable and a further 7 responses did not fit in any of clear categories (these were included in ‘other’).

6.0 Demographic and equality data

6.1 The demographic characteristics of the respondents to the survey were compared to those of the resident population in Manchester.

6.2 The consultation received a spread of respondents from across the city. However, analysis shows that the consultation was over represented by respondents in Central Manchester. 30% of respondents were from wards in Central Manchester, which make up 21% of the city's population. The consultation was under represented by respondents in North Manchester with 23% of respondents in the North, which make up 37% of the city's population.

Locality	Budget Responses	MCR comparator %
North	23%	37%
Central	30%	21%
South	47%	42%

6.3 Respondents aged 40-49 and 50-64 years were over represented in the consultation as has been the case in previous consultations. Those aged 16-25 were underrepresented, but less so than in previous consultations (10% vs 3% in 2017). As would be largely expected, there were no responses from children aged under 16.

Age Group	Budget Responses	MCR Comparator
Under 16	0%	20%
16 - 25 years	10%	20%
26 - 39 years	34%	26%
40 - 49 years	23%	11%
50 - 64 years	24%	13%
65 - 74 years	9%	5%
75 + years	1%	4%

6.4 As regards ethnicity, White British respondents were overrepresented at 81% compared to 59% of the city's population. Asian / Asian British; Pakistani (3% vs 9%), Asian / Asian British; Chinese (0% vs 3%), Black / African / Caribbean / Black British; African (2% vs 5%) and White & Black African (0% vs 1%) respondents continue to be underrepresented. A full demographic analysis is provided in Appendix 1.

7. Conclusion

7.1 Members are asked to note the results of the consultation and the information provided in the report.

Appendix 1 Demographic analysis

Ethnicity	Budget Responses	MCR Comparator
Asian / Asian British; Bangladeshi	1%	1%
Asian / Asian British; Chinese	0%	3%
Asian / Asian British; Indian	2%	2%
Asian / Asian British; Kashmiri	0%	0%
Asian / Asian British; Pakistani	3%	9%
Asian / Asian British; Other Asian	0%	2%
Black / African / Caribbean / Black British; African	2%	5%
Black / African / Caribbean / Black British; Caribbean	1%	2%
Black / African / Caribbean / Black British; Somali	0%	0%
Black / African / Caribbean / Black British; Other Black	1%	1%
Mixed / Multiple Ethnic Groups; White and Black Caribbean	2%	2%
Mixed / Multiple Ethnic Groups; White and Black African	0%	1%
Mixed / Multiple Ethnic Groups; White and Asian	0%	1%
Mixed / Multiple Ethnic Groups;Other Mixed	2%	1%
White; English/Welsh/Scottish/Northern Irish/British	81%	59%
White; Irish	4%	2%
White; Gypsy or Irish Traveller	0%	0%
White; Other White	2%	5%
Other Ethnic Group; Any other Ethnic Group	1%	3%

Manchester City Council
Report for Information

Report to: Executive – 12 February 2020

Subject: Equality Impact Assessments

Report of: Deputy Chief Executive and City Treasurer

Summary

This report reviews a selection of the Equality Impact Assessments (EIAs) produced in support of the Council's business planning process for 2019/2020. It outlines the context of why the Council undertakes EIAs and some of the key themes emerging from the business priority-related analyses produced in the last year.

The report also describes changes to the Council's approach to business planning for 2020-21, and the implications for how equality impacts will be considered both within the plan and how the process of producing EIAs will be managed moving forwards.

As the financial settlement for 2020-21 largely represents a roll-over settlement for the Council, the report does not relate to any new budget-related consultations with EIAs attached.

Recommendation

Members are invited to note, consider and comment on the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
EIAs will be produced if actions arising from the Council's Climate Change Action Plan have a disproportionate impact on certain communities. The plan will recognise that climate change will have differential impacts on communities across the city, for example in terms of poor air quality and more frequent incidences of extreme weather.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	

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	EIAs are a vital component of how the Council has due regard for equality and equitability in its decision making processes. Communities and customers are the focus of the EIAs and the analysis allows the Council to safeguard and enhance community potential and wellbeing in the delivery of its business.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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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.

1. *Refreshed Business Plans – Equality Impact Assessments (EIAs)*, Communities and Equalities Scrutiny Committee, 7 February 2019
2. *Equalities Performance Management*, Communities and Equalities Scrutiny Committee, 7 March 2019

1. Introduction

1.1 Manchester has a proud history of championing equality and has been at the forefront of some of the country's most significant diversity-related work for decades. Against this backdrop, the Council has provided strong leadership on equality, diversity and inclusion (EDI) in the development and delivery of its functions, to ensure that Manchester's residents benefit from an accessible, appropriate, fair and satisfactory experience of the Council's services. The organisation's commitment to EDI sits against a complex backdrop of political, social and financial challenges and opportunities which underline the importance of focusing on Manchester's diversity and stakeholders of all identities, in support of the aims of the Our Manchester Strategy.

1.2 The Council's key tool to assess how its functions interact with the numerous and diverse communities that use them is the Equality Impact Assessment (EIA) framework. The Council has had a consistent approach to EIAs for over a decade, which has been recognised in that time (by the Equality Framework for Local Government peer reviews in 2015 and 2018) as being robust, resilient to challenge and fit for purpose.

1.3 The completion and consideration of an EIA ahead of making a business decision enables a service to understand the impact that its proposals and priorities will likely have on people identifying with one or more of the protected characteristics defined by the Equality Act 2010. In doing so, it enables the Council to demonstrate due regard for equality and fulfil one of its numerous requirements against the Public Sector Equality Duty.

1.4 A range of EIAs are produced by the Council throughout the year as its 'business as usual', which include those highlighted by the business planning process as being relevant to Council priorities. Business planning related EIAs have, for the last few years, been listed in Directorates' Equality Delivery Plans (as an appendix of the main business planning document). This report updates on a selection of the EIAs that the Council committed to produce in the 2019-20 business planning process. It does not, however, provide a detailed update on all 33 business planning related EIAs.

1.5 Following a review of the business planning process in 2019, the Council's approach has been refined and streamlined. From 2020-21 onwards, the Council will produce a single Our Council Business Plan document for the whole organisation. As a consequence, the requirement to produce Directorate Equality Delivery Plans and therefore lists of EIAs has been removed. This report will outline the revised way that EDI priorities are built into the business planning process and the opportunity that this provides regarding EIAs going forwards.

2. Update on 2019-20 EIA Activity

2.1 In 2016 the Council determined that including a list of EIAs for the coming year, aligned to priorities highlighted in Directorates' Equality Delivery Plans, would give some assurance that key Council priorities were being progressed with due regard for equality. Whilst this remains correct in principle, in the ensuing period officers have recognised some important trends:

1) that the EIAs listed in the Delivery Plans do not represent the totality of the EIAs undertaken by Directorates, most of which are identified during the financial year rather than at the start of it;
2) that there are other priorities, projects and Council functions that would require an EIA which are not listed within the Equality Delivery Plans and consequently, compliance with the EIA framework in these instances is difficult to track and govern, and;
3) that producing a 12 month plan of EIAs does not take into account the variables that often affect Council functions (i.e. in-year changes to the funding or business opportunities, altered time-scales, external influences).

2.2 This third point is particularly applicable to a number of the listed 2019-20 EIAs. In some cases, analyses could not be completed or were intentionally deferred due to a range of unforeseen circumstances, for example:

- The EIA for the Factory project could not be completed due to slippage in the timescales for the project delivery, with the completion of the EIA now moving later into 2020-21;
- An EIA for Public Space Protection Orders (PSPO) was drafted but has not been signed off, as a decision has not yet been made about the city centre PSPO. The service is continuing its work on this into 2020-21;
- The EIA for the Homelessness Service's Procurement of Dispersed Temporary Accommodation became no longer applicable, as the service was not successful in securing a suitable provider for this function and there is not an intention to re-tender for this in the next 12 months;
- An EIA for Council Tax Support Scheme was not completed as the scheme has not been changed for 2020/21. The service will review the scheme during the next financial year and any changes will be subject to a full consultation exercise and EIA at that time;
- An EIA for the Refreshed Waste Strategy was not completed as the service proposal was deferred due to changes in national government timescales.

2.3 In a small number of cases (i.e. the refurbishment of Alexandra House, the Passageway Communal Collection Scheme), analyses have been commenced but due to the iterative or phased nature of the projects they relate to, these are ongoing.

2.4 In the main, the EIAs outlined in the 2019-20 Equality Delivery Plans have been completed. As an objective process of analysis, these EIAs satisfy the requirement to have due regard for equality in the exercise of Council functions, without necessarily directly leading to any positive change. Reading across the completed EIAs though, it becomes apparent a) that there are some emerging themes which can inform the Council's future work in this area, and b) in the course of producing their EIAs, services have implemented some good, inclusive practice as outlined below.

2.5 Engagement

2.5.1 EIAs are commonly based on existing data and research, but are sometimes enhanced by more qualitative information, such as that arrived at through a process of engagement with key stakeholders. This engagement may be in relation to the EIA itself, or more often, in relation to the service change that the EIA is assessing. In a couple of instances arising from the 2019-20 schedule of EIAs, services have used engagement not only to test the potential impacts of a proposed service change, but have extended this to a co-design process which has been mutually beneficial for the service and the stakeholder groups involved.

Case Study: Highways

Highways has produced a schedule of projects and work programmes focusing on major improvements involving cycling and walking infrastructure, which have been subject to EIAs. The substance of the EIAs has been enhanced through what is now regular engagement with the Disability Design Reference Group (DDRG); an independent group of disabled people who consult on built environment projects in Manchester, originally working with Transport for Greater Manchester on improvements to the Metrolink service. Highways take schemes to DDRG meetings at the earliest opportunity, presenting the proposal and listening to comments and feedback of DDRG.

For the A6 Stockport Road scheme, for example, Highways obtained a number of important views from the DDRG which were factored into the EIA and ultimately, into the scheme design. Whilst the DDRG sought Greater Manchester standard for a cycle scheme layout, which was beyond the remit of the Council's Highways service, it was possible to design in improvements to the way that crossings are highlighted to cyclists (with the use of specialist corduroy paving) to reduce the risk of disabled and / or older people coming under harm when crossing cycle lanes.

Highways continue to streamline the way it work with the DDRG, in recognition of the value that the group adds to the service's work. Highways are learning from the methods, materials and styles that other local authorities have used when working with the DDRG and are, wherever possible, sharing schemes at the concept stage for early input. Following early engagement, Highways are then returning to DDRG with a developed scheme and tying this into the wider consultation phase for the scheme.

The engagement and production of EIAs based on DDRG feedback continues. For the Princess Road / Mancunian Way scheme, a 3 dimensional video model of the proposed scheme has been developed with a drone survey. A tactile model has also been produced (a drawing made into 3D with texture, colours, trees, etc.) which will help to bring the scheme design for the Northern Quarter route to life for DDRG more than typical engineering drawings could.

For the Mancunian Way scheme, Highways are organising a site visit for the DDRG members so they can see how the scheme is progressing and experience the scheme on the ground.

Case Study: VCSE Infrastructure Contract Review

The Council has funded infrastructure support services for community and voluntary groups in the city for a number of years. Following the introduction of the Our Manchester Voluntary Community Sector (OMVCS) Grants Programme and team (‘OM Funds Team’) in 2018, it was agreed that the OM Funds Team would work on behalf of the Council with Manchester Health & Care Commissioning (MHCC) to conduct a joint review of their VCSE infrastructure contracts. It was also agreed that a co-design process for the specification of the new infrastructure contract should commence. This enabled the re-design and procurement of the new VCSE infrastructure service contract to be transparent, equitable, and based on the Our Manchester principles and approach which puts co-design with the VCSE sector at its heart.

The co-design process built on previous feedback and learning, which outlined the importance of an open and inclusive process with a diverse range of voices. In doing this, the aim was to both avoid any disproportionately adverse impact on an equalities characteristic throughout the process, and to ensure that the provider of the new infrastructure contract pays due regard to all protected groups. Opportunities for consultation, engagement and feedback from the sector has been purposely designed into the process to achieve this.

In addition to involving the Council’s Equality, Diversity and Inclusion Manager in the co-design process, a range of interest groups were represented by VCSE organisations involved in the process (for example Breakthrough UK Ltd, Manchester BME Network). Taking feedback from these stakeholders on the infrastructure review overall, and specifically in relation to the needs and priorities of the interest groups represented, provided a rich evidence-base on which to draw in the production of the related EIA and resulted in a set of recommendations which were consulted on with Manchester’s wider VCSE, as part of the commitment to include the voices of the sector throughout the re-design process.

As well as ensuring equalities input at the co-design stage, due regard for equality was built into the assessment process, achieved through the membership of the panel and through the assessment of the responses to the questions which included the above.

The EIA found that due regard had satisfactorily been paid and further diversity considerations had been given throughout the process of co-design and awarding of the VCSE infrastructure contract. Whilst the EIA did not identify any disproportionate impacts on any characteristic group, the contract will be managed in order to ensure implementation of the specification, including those with specific reference to equalities issues.

2.6 Neutral Impacts and Relevance Assessments

2.6.1 Much like the VCSE Infrastructure Contract EIA, several 2019-20 equality analyses have identified that, whilst the function being assessed is applicable or available to a whole host of people identifying with protected characteristics, the nature of the function is neutral. This means that the analysis has identified no disproportionately disadvantageous or advantageous impact. This is often the case for process-focused analyses of back-office, support functions, such as the Shared Cost Additional Voluntary Contributions scheme and Counter-fraud Investigations and Prosecutions.

2.6.2 In these latter two cases, it was possible for the HROD service and the Audit and Risk Management service respectively to make use of the Council's Relevance Assessment toolkit. This lighter touch version of the EIA toolkit allows services to establish whether their function will have a likely impact on one or more arm of the Equality Duty or protected characteristic where this is not immediately apparent. If the relevance assessment does identify a potential impact, services then progress to a fuller but more targeted EIA. Both services in this instance concluded that progressing to a full EIA was not necessary, as their functions did not satisfy the criteria laid out in the toolkit to do so.

2.6.3 The Council has had a relevance assessment component to its EIA framework for a considerable time, which is not necessarily the case for other public sector organisations in Greater Manchester or nationally. However, positive feedback from officers and a consistent use of the relevance assessment means that this aspect of the Council's approach to equality analysis will remain going forwards.

2.7 Partnership Approaches to Equality Analysis

2.7.1 As indicated above, it is common for different public sector organisations to have slightly different approaches to equality analysis. This is amply demonstrated in Manchester, with several different models of equality analysis in place across the health and social care system. They are linked, however, by all partners' common aim to have due regard for equality in their decision making processes.

2.7.2 The commonality of purpose offers some degree of consistency and reassurance in embedding inclusion at the heart of health and social care integration, but the differing models unavoidably create complexity in the management, governance and quality assurance of EIAs in this area. It is recognised by all partners involved that the complexity can form risks relating to duplication, gaps and consistency of quality which need to be addressed.

2.7.3 Working through the Inclusion and Social Value subgroup of the Manchester Locality Workforce Transformation Group, the Council, Manchester Health and Care Commissioning, Manchester Local Care Organisation, Manchester Foundation Trust, Greater Manchester Mental Health and the Christie aim to improve the systems, compliance and quality of EIAs in Manchester. Whilst each partner organisation will continue to have its own EIA tools, the group is working to establish a 'shared, system-wide approach to equality analysis'. This will ratify some of the current issues with how EIAs are manged and delivered across the system, with greater clarity around interdependencies and responsibilities. This work, currently in its early stages, will continue throughout 2020.

2.8 Mitigating Impacts

2.8.1 Only a small number of the 2019-20 EIAs identified potentially adverse impacts arising from the proposed change. In most cases, adverse impacts have been avoided by being designed out of the proposal in its early stages. The extent to which the production of an EIA has led to these service changes though, is not clearly described in those related to the 2019-20 business priorities and this will be considered in the Council's quality assurance measures going forward.

2.8.2 In those EIAs that did identify the potential for adverse impacts, services have consistently highlighted actions to mitigate this. The EIA on the Review of the Housing Allocations Scheme, for example, considered the addition of a new moving group definition to the scheme, agreed December 2019. The definition sets a restriction on who can be in a moving group and was introduced:

- to encourage larger moving groups who can live separately to be realistic about their housing options and consider applying for two or three smaller homes rather than one very large one, which will dramatically improve their chances of being rehoused, while;
- helping to ensure that the very few larger family homes that turn over each year are allocated to those who need them most, in particular, to moving groups that cannot reasonably be expected to be able to live separately, for example, because of caring responsibilities.

2.8.3 The EIA noted that the moving group definition could disproportionately impact on Asian or Asian British families, with service data showing a large number of these families applying for larger properties. The EIA encouraged the service to consider actions considered to mitigate the effect which included:

- Not to introduce the moving group definition: this was rejected as clearly failing to help achieve the objective of helping more people be housed in as short a time as possible, and;
- To include a specific exception for applicants of Asian heritage or background: this was rejected because the introduction of such a measure would compound existing allocations problems by making it less likely that other applicants could make successful bids

2.8.4 The EIA prompted the service to resolve to engage and communicate more clearly with the affected groups, explaining the rationale, the resulting options and the benefits in relation to more quickly resolving their housing needs. The service also introduced a measure for managers' discretion to be applied where it is necessary in these matters, recognising the need to apply the rule on a case by case basis.

2.9 Revised Approaches to Equality Analysis

2.9.1 The requirement to produce EIAs has, in some areas, prompted a broader evaluation of how inclusion is built into a service's approach, from the engagement-based work of Highways outlined above to a more systematic change such as that being introduced in Development.

Case Study: Embedding Inclusion in Development

The Head of Development is responsible for instructing the City Solicitor to conclude property transactions. The Development Team therefore are uniquely placed to ensure that as part of this instruction process, the provision of equality relevance assessments and where necessary, EIAs are factored into the decision making process. To ensure timely consideration of the relevant matters, the Development Team are to embed the statutory principles into the land allocation process, which will then be revisited if and when there is an instruction to transact land (either acquisition or disposal). The team will trial a 3 stage approach for a period of twelve months:

1) The relevance test will be undertaken as part of the initial land allocation process, which will be determined as part of the revised Site Allocation Group work. The Site Allocation Group considers and recommends the allocation and future use of surplus and non-operational Council owned assets. This will have regard to extant policies and any relevant EIAs. The terms of reference and attendance of the Site Allocation Group are about to be revised to reflect changes in wider governance structure and arrangements. This will provide the opportunity to embed these principles.

2) When projects come forward for approval, a more detailed consideration will be undertaken by the relevant governance body (Housing Board, Estates Board, Strategic Acquisitions Board etc).

3) The transaction stage of a project will act as a gateway for the relevance checks that have been undertaken at Stage 2 and the EIA if required.

This will deal with land transactions and developments where there is a land deal, however where projects relate to capital investment and there is no land transaction, the relevance checks and EIA will need to be provided to the relevant boards. This work will be trialled throughout 2020 and evaluated to inform the future model of equality analysis.

2.10 Affordable Housing Policy EIA

2.10.1 An update on the Affordable Housing Strategy 2025 was approved at Executive in September 2019 which outlined the future approach to delivering the programme. Serious consideration has been given to the approach to embedding equality, diversity and inclusion to ensure that all Manchester residents have equal access to homes that they can afford. Due to the scale of Manchester's proposed affordable homes programme, the Strategic

Housing function has revised its planned approach to Equality Impact Assessments.

2.10.2 It will now consider whether individual EIAs are required on specific schemes to replace the original approach of an overarching EIA for the strategy. The revised approach will be in line with the proposed Development Gateway Scheme (as detailed in the case study above) and will deliver a more bespoke and detailed assessment considering the demographics and needs of specific geographical areas and communities. Planning for the new approach will be complete by March 2020 and the programme of EIAs will begin in April.

2.10.3 In addition to this, there has been extensive work in Housing and Residential Growth throughout 2019-20 which demonstrates a strong commitment to inclusion. This is presented for consideration at Appendix 1.

2.11 There are some very positive signs here of equality, diversity and inclusion being positively and proactively considered across services, and of EIAs playing into the organisation's priorities and processes. The Council recognises that there is potential for the use of its EIA framework to grow and this reflects the local and national trend; it remains the case that some projects and priorities across the public sector are progressed without an EIA being factored in as a key contributor to effective and inclusive decision-making. The Council though, is committed to advancing its productivity and effectiveness in this area, as outlined in section 4 of this report.

3. Refreshed approach to Business Planning and EIAs

3.1 Our Council Business Plan replaces individual directorate business plans produced previously. The plan is structured around the Council's eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council.

3.2 Whereas the Equality Delivery Plans, appended to the previous Directorate business plans, summarised the equality considerations of a relatively small number of services, the 41 service plans ask services to consider the extent to which their service priorities will affect different communities (including communities of identity) differently. As a result, a broader range of services have identified equality relevant themes and / or characteristics in their service plans, for example:

- Education will continue to reduce the gap in educational outcomes between Manchester and UK averages for all children, but with a specific focus on Special Educational Needs and Disability
- Libraries, Galleries and Culture will adapt the service offer to more effectively support older people, and will ensure all staff to become Dementia Friends and receive autism awareness training
- Children's Social Care aims to introduce ways for children's and young people's voices to have more influence in the decisions that affect them

- Registration and Coroners Service are preparing for implementation of new arrangements under the Civil Partnerships, Marriages and Deaths (Registration Etc) Act 2019
- Parks, Leisure, Youth and Events will commission and deliver a comprehensive programme of activities which engages all residents, but which particularly targets under-represented groups
- Community Safety will continue its work to strengthen community cohesion across Manchester's diverse communities, supporting partners and VCSE organisations to challenge hate, prejudice and extremism
- Parking Services will take effective action, including prosecution, in case of fraud and / or misuse of the disabled Blue Badge parking scheme
- School Catering Service continues to ensure cultural inclusivity for a range of diets with regard for religious and medical reasons
- HROD aims to deliver a more diverse workforce at all levels, particularly in relation to BAME and disabled employees

This approach gives a more representative indication of high level EDI relevance and has informed some of the activities and measures that sit beneath each of the eight priority themes.

3.3 The eight priority themes that form the spine of the Our Council Business Plan are, in no particular order of importance:

Zero carbon Manchester
Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide:

- Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met
- Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan
- Contribute to improvements in air quality across Manchester required in the Clean Air Plan

Young People
From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better:

- Ensure all children have high-quality education
- Support more Manchester children to have the best possible start in life and be ready for school and adulthood
- Reduce number of children needing a statutory service
- Reduce the number of children growing up in family poverty

Healthy, cared-for people

Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives:

- Support Mancunians to be healthy, well and safe
- Improve health and reduce demand by integrating neighbourhood teams, that are connected to other services and assets locally, delivering new models of care
- Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless

Housing
Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes:

- Accelerate and sustain the delivery of more housing
- Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes

Neighbourhoods
Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of:

- Enable clean, safe, vibrant neighbourhoods

Connections
Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks:

- Improve public transport and highways, and make them more sustainable
- Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy

Growth that benefits everyone
Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy:

- Support good-quality job creation for residents, and effective pathways into those jobs
- Facilitate economic growth of the city

Well-managed Council
Support our people to be the best and make the most of our resources:

- Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
- Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in

demand through reform, and generating income

3.4 The priorities articulate a clear and strong commitment to equality and inclusion across many areas, from reducing family poverty and homelessness, to increasing affordable housing options and promoting inclusive growth among others. This, in turn, highlights the need for these areas of work to be underpinned with good quality and timely equality analyses.

3.5 The breadth of priorities described here, in comparison with those previously outlined in the Directorate Equality Delivery Plans, offers an opportunity for the Council to complete a more comprehensive and robust set of EIAs against its business planning model than has been possible before.

3.6 Additionally, the priority areas are supported by a more overarching commitment to equality, diversity and inclusion within Our Council Business Plan. This describes the critical areas of focus to ensure that EDI continues to be advanced, and can be summarised as:

- Continuing to meet the requirements of the Public Sector Equality Duty
- Growing our knowledge and understanding of different people's experiences of Council services, to make these as fair and equitable as possible
- Refreshing our equality objectives to reflect our stakeholders' voices
- Strengthening our approach to EIAs, to include identity groups that are reflective of Manchester's key stakeholders
- Improving the representation, progression and workplace experience of our BAME and disabled employees, and further embedding an inclusive working environment for all our employees
- Continuing to work in partnership with and in support of Manchester's Voluntary, Community and Social Enterprise (VCSE) sector
- Delivering or supporting events and celebrations that promote the City's diversity of identities, cultures, traditions and languages
- Extending our partnership working on the EDI agenda

4. Strengthening the Approach to EIAs

4.1 As noted above, Our Council Business Plan has made a stated commitment to a strengthened approach to EIAs, which picks up on the opportunities stemming from the refreshed model of business planning. A programme of work to deliver this is already underway with revisions being made to the EIA toolkit; the refreshed toolkit will extend the range of groups to be analysed beyond the characteristics protected under the Equality Act 2010, to include for example ex-armed forces personnel, homeless people etc.

4.2 The revised approach will also strengthen the Council's governance and quality assurance measures around EIAs, as well as incorporating a more proactive and supportive way of training officers to complete them. This programme of work will be incrementally delivered throughout 2020-21.

4.3 This work sits within the wider context of strengthening approaches to EIAs across the health and social care system in Manchester, as outlined at 2.7.3.

5. Conclusion

5.1 The EIAs undertaken in support of the Council's priorities, and the associated work and initiatives that play into this which have been highlighted above, serve to reinforce the central role that equality, diversity and inclusion have in the design, development and delivery of the Council's functions. Work in this area in 2019-20 builds on that of the previous year, both with regard to the quantity and quality of analyses completed.

5.2 It is acknowledged that there are challenges to be resolved in the Council regarding the governance and management of EIAs, just as there are across the public sector. However, the organisation's commitment and that of its partners to further embed good practice on equality analysis, and the opportunities presented by a refreshed approach to embedding equality in the business planning process, point to a strengthened position in Manchester over the coming year.

APPENDIX 1: Housing and Residential Growth Equalities Update

Progress to date 2019/20

Housing and Residential Growth's continued commitment to ensuring all residents benefit from the city's investment in housing and neighbourhoods is evident in the number of housing projects being developed to meet specific needs and the way learning from this is being embedded in new large scale projects.

The age friendly element of the Northern Gateway development continues to evolve in partnership with Age Friendly Manchester, academics and practitioners. MICRA (Manchester Institute for Collaborative Research on Ageing, part of the University of Manchester) has carried out original research for the development. The subsequent findings and recommendations will inform the Northern Gateway project and lay the foundations for the learning to be rolled out across other projects in the city. This will create more neighbourhoods with age friendly design embedded from the very beginning.

During 2019, Housing and Residential Growth have continued to work with registered housing providers (RPs) to deliver accommodation to meet specific housing requirements. Manchester's Extra Care development programme, giving greater housing choice for older people, has progressed well. Five of the seven schemes in the programme are under construction. Four of these are scheduled for completion in 2020, providing an additional 223 extra care apartments, and the fifth, a large scheme of 106 apartments, will come on line in late 2021. Following need analysis and consultation, the gap in accessible accommodation for older people in Newton Heath will be met by a new development of MCC owned age exclusive apartments on Silk Street, plus a new extra care scheme on Millwright Street.

The developments will complement an existing sheltered scheme and all older people in the area will be welcomed into, and encouraged, to use the communal facilities at the extra care scheme, creating a focal point for the older community. The former hospital on the site purchased for the LGBT extra care scheme on Russell Road in Whalley Range has now been demolished and the design process with the LGBT and local communities will begin following the appointment of a managing RP. Work has begun with the LGBT Foundation to develop an LGBT Affirmative quality kite-mark (Pride in Practice) for all extra care schemes in the city.

Of the four new supported accommodation schemes for citizens with learning disabilities, three schemes, totalling 50 apartments, have their first occupants. Feedback from tenants, families and advocates has been extremely positive and the residents are beginning to settle into and make connections with their new communities. The final 20 apartment scheme is due for completion in January 2020. In response to winter pressures, the 10 apartment scheme at Dalbeattie Street in Harpurhey is being used temporarily for hospital discharge for homeless people who have experienced a significant change in health. Support staff at the scheme enable them to stabilise and improve their health following discharge and begin the process of preparing to move to appropriate, accessible accommodation.

The larger property acquisition project, a partnership between the council and RPs, is gathering momentum. Set up to reduce the number of large homeless families waiting for long periods in temporary accommodation, this project enables the families to move to suitable, settled accommodation. In establishing a permanent home, the social, educational and health outcomes for the children in these families greatly improve.

At a citywide level, the review of the city's social housing allocation policy included extensive consultation and engagement. The EIA was completed and identified one potential, relatively disproportionate impact on Asian/Asian British families in respect of the new definition of who can be in a moving group as this broadly excludes adult children. However, if adult children have lived at home continuously they will qualify as part of the moving group and the impact will, therefore, not be as significant as anticipated. The mitigation for this is increased and more effective communication regarding the improved prospects of rehousing for smaller moving groups will be provided and management discretion will be applied where appropriate.

The increased target for new affordable housing in the city has focussed resources on driving delivery. The accompanying strategy and scheme EIAs will be started during 2020/21 and will continue as appropriate through the delivery of the programme. The team will also be supporting Adult Services to develop a new supported housing strategy to improve housing choice for citizens with specific needs or vulnerabilities.