Public Document Pack

MANCHESTER
CITY COUNCIL

The Council's 2019/20 Budget Papers Pack

This is the 2019/20 Budget Papers Pack containing all the budget related documentation to be considered at the Resources and Governance Scrutiny Committee on 25 February 2019 and Budget Council on 8 March 2019

2019/20 Budget Papers Pack

5. The Council's Budget 2019/20 - budget papers pack

In connection to the above, the following documents were considered by Executive on 13 February 2019.

5a. The Councils Budget 2019/20 covering report;
5b. Medium Term Financial Plan 2019/20 - 2021/22;
5c. Capital Strategy and Budget 2019/20 to 2023/24;
5d. Corporate Core Business Plan 2019/20;
5e. Neighbourhoods Directorate Business Planning 2019/20;
5f. Children's Services and Education Business Planning 2019/20;
5g. Dedicated Schools Grant 2019/20;
5h. Strategic Development Business Planning 2019/20;
5i. Housing Revenue Account 2019/20 to 2021/22;
5j. Manchester Health and Care Commissioning - Adult Social Care Business Plan and Pooled Budget contribution 2019/20;
5k. Homelessness Business Planning 2019/20; and
5l. Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2019/20

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=125&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).

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Further Information

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

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This Budget Papers Pack was issued on **Friday, 15 February 2019** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street), Manchester M60 2LA

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Manchester City Council
Report for Resolution

Report to: Executive – 13 February 2019
Resources and Governance Scrutiny Committee – 25 February 2019

Subject: Budget 2019/20 – Covering Report

Report of: Chief Executive and City Treasurer

Purpose of the Report

The 2019/20 Budget is the last of the current three year financial plan and also covers the final year of the four year financial settlement. 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

Recommendations

The Executive is requested to:

(i) Consider the Revenue Budget Reports 2019-2020 and Capital Strategy 2019-2025 elsewhere on the agenda in the context of the overarching framework of this report.

Wards Affected: All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report sets out the Strategic Framework for the delivery of a balanced budget for 2019/20. 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 – The risk management implications are set out in an accompanying report later on the agenda.

Legal Considerations – The legal implications are set out in an accompanying report later on the agenda.

Financial Consequences – Revenue and Capital

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

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Background documents (available for public inspection):

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 2019/20 Budget is the last of the current three year financial plan and also covers the final year of the four year Finance Settlement. 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
- The required statutory assessment of the robustness of the proposed budget

2 Priorities and Context

2.1 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 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 still high proportion of residents 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 priorities have also been informed by the extensive budget consultation with residents carried out in 2016. The areas that mattered most and were reflected in the budget decisions are as follows:

- care and support for vulnerable people including older people and those with learning disabilities and mental health needs;
- taking action on family poverty and giving young people the best start in life;
- tackling homelessness;

- supporting people into jobs and training
- keeping roads and neighbourhoods in good shape; and
- parks and leisure to keep people active and happy.

2.5 The 2017-20 budget set out the changes required to deliver the above by:

- bringing health and social care services together;
- supporting people earlier so they will avoid more costly help later;
- safely reducing the cost of children in care by finding more foster carers; changing the waste disposal arrangements to reduce costs; and
- creating the capacity to invest in the City's roads and transport network.

2.6 2019/20 is the last year of the Medium Term Financial Plan (MTFP) and there is no change in direction proposed. The challenge remains to continue to provide services when the population is increasing and the resources available to the Council are reducing. The State of City Report published in 2018 set out the progress made against Our Manchester. In Summer 2018 a Corporate Plan was agreed that set out the actions the Council needed to deliver Our Manchester. This has provided the framework for the refresh of the budget and business plans.

2.7 Finally the MTFP and Capital Strategy have been updated to reflect the 2018/19 budget position. There has also been additional one off funding, particularly for social care, made available through the Autumn Statement, Finance Settlement and the GMCA Budget Setting process. Whilst the Government may have listened and 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 2019/20. The Council has therefore had to use a number of one-off resources alongside Government funding to provide sustained investment over a longer, three-year, period; recognising that the funding remains uncertain from 2020/21 when the next Spending Review period starts.

2.8 The fact remains that this is a period of austerity and significant funding reductions. The original three year budget strategy required the delivery of £35m of budget cuts with £9m to be delivered in 2019/20. The 2019/20 figure has increased to £15m with the additional demand for services experienced in 2018/19. The need to make budget cuts is expected to continue over the next four years. The LGA 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. For the Council this gap has been estimated at £75m.

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 566,650 residents in 2018 projected to reach upwards of 660,000 by 2028. This growth has been concentrated in 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 the expansion of 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. The potential impact of a no deal Brexit on sectors such as social care and hospitality is 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. There will continue to have be a focus on developing international trade and investment - local and national investment in infrastructure such as High Speed Rail across the North and to London with the Capital Strategy having investment in the drivers of growth such as the City Centre, the Oxford Road Corridor and the Airport City Enterprise Zone as one of its priorities. Airport City continues to be delivered as part of an £800m joint venture which has seen the creation of 3,000 jobs.

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. The city centre has recently seen a number of improvements, such as the Metrolink Second City Crossing and the opening of the Ordsall Chord.

3.4 Manchester's economy has continued to grow, with its performance exceeding that of both Greater Manchester and the UK as a whole. This has been driven primarily by growth in three sectors: business, financial and professional services; cultural, creative and digital; and science, research and development. Cultural, creative and digital industries continue to make a significant contribution to the local economy.

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 Key developments in the city centre include St John's, Great Jackson Street, Piccadilly/Piccadilly Basin, First Street, Circle Square, and the Medieval Quarter as well as investments into life sciences to secure high quality jobs for the future.

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.

A City that is Filled with Talent

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

3.9 The city's employment offer has continued to increase and diversify; in 2017, there were 392,400 employees working in the city, an increase of 10% 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. However whilst Manchester has a higher than national average proportion of residents qualified to degree level and above, Manchester also has a disproportionate number with no qualifications; 11.1% compared to a national rate of 8%. The £69 gap between resident and workplace gross weekly wage is the largest of English core cities. In 2018 an estimated 18% of employees working in Manchester were paid less than the Living Wage Foundation Real Living Wage of £8.75 an hour. For employees living in Manchester that percentage was estimated to be 28%. 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. Primary schools continue to perform well but despite this, Manchester still has a lower number of pupils achieving GCSEs in English and Maths.

3.11 The number of schools judged to be good or better is increasing. Work continues to improve schools results. KS2 results, while improving are still below national average, the Attainment 8 score is improving at a faster rate and starting to close the gap. 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 is currently progressing the work to be a Living Wage accredited employer and is 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 and the rate of referrals to Children's Services 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 Changes in the national funding regime with the introduction of the Flexible Homelessness Support Grant to replace Temporary Accommodation funding did not recognise the scale of growth in homelessness seen in the city and reduced the level of funding available. Officers have been working to transfer the management of temporary dispersed accommodation properties to an alternative provider through a procurement process to enable the full amount of housing benefit to be claimed, as well as improving the standard of accommodation. As part of the 2019/20 budget the council is committing an additional £1.1m funding for discretionary housing support and other welfare related payments to take a pro-active approach to preventing homelessness and protect the most vulnerable. The council has also committed to ensuring where families have to be placed in bed and breakfast accommodation this is of an appropriate standard.

3.16 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. There are 3.5 times as many premature deaths (deaths under the age of 75) in the most deprived parts of the city compared with the least deprived parts. The

Manchester Population Health Plan[1] describes how the council will work with partners to deliver improved health outcomes and reduced inequalities.

3.17 A single commissioning system with a single line of accountability is in place. 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 social-care services. The organisation will deliver integrated and accessible out-of-hospital services across the city’s 12 neighbourhoods, providing integrated services that will improve outcomes at a reduced cost. The Winter Pressures funding is being used to prevent inappropriate admissions to and facilitate timely discharge from hospital and some of the one off funding the council has will be invested into adult social care to ensure that timely access to services is available for those who need them.

A Great Place to Live

3.18 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 MTFP.

3.19 There has been a notable increase in housing supply from 2017/18 with over 3,000 new homes expected to complete in 2018/19. Manchester is now delivering a nationally significant level of house building (more than any Inner London Borough in 2017/18). The Northern Gateway project (a joint venture between the Council and the Far East Consortium) has the potential for up to 15,000 new homes over the next 15 years.

3.20 The Housing Strategy includes a housing growth target of 32,000 new homes between April 2015 and March 2025 including 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 (RSL) partner resources and investment capacity in the Housing Revenue Account (HRA). 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.

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

3.21 In respect of Climate Change, Manchester is on track to reach a 38% reduction in CO_2 emissions by 2020 against the target of 41% but this means that to stay within the carbon budget a further 56% reduction is required. This can only be achieved through a combination of local action and national policy on energy and transport. The Capital Strategy and the development of new policy frameworks in areas which are Green and Blue Infrastructure, Residential Design and, at a Greater Manchester level, through the GM Transport Strategy 2040, will drive forward the local actions. The council is also investing on an investment to save basis in making its estate more carbon efficient and in increasing the amount of waste that is able to be recycled. 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). An Air Quality Action Plan for Greater Manchester is being developed to tackle these issues.

3.22 The **Corporate Plan** which was agreed in Autumn 2018 sets out the 15 areas which the Council will focus on from its final year of the three-year budget strategy and which provide the framework for the budget and business plans. They are as follows:

Theme	Priority
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.
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, with enough affordable housing for those on low and average incomes, and improved quality of housing.
Neighbourhoods	• Enable clean, safe, vibrant neighbourhoods

Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of	• Reduce greenhouse gas emissions and improve air quality.
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 *To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone*	• 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
	• Balance our budget, including delivering savings, reducing demand through reform, and generating income.

4 Financial Context

4.1 The budget for 2019/20 is being set in a period of austerity which began with the 2010/11 Budget. The Local Government Association (LGA) have 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. Public health grant funding will have reduced by £531m between April 2015 and April 2020. Between 2010/11 to 2019/20 the Manchester City 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 FTE (around 40% of the workforce).

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	£m	**£,000**
Savings Planned	107	61	36	30	55	26	17	25	15	**372**

4.2 During the earlier years (pre 2016/17) the central government grant cuts did not take into account the ability to raise council tax and cities such as Manchester with over 90% properties in council tax bands A-C were disproportionately impacted. If between 2010/11 and 2019/20 Manchester had had the average level of funding reductions it would now have c£83m more a year available.

4.3 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 £8m in 2017/18 and is estimated at £9.1m in 2018/19 and £8.1m in 2019/20. Additionally there is a £6m proposed return from GMCA in 2018/19, subject to GMCA approval at its meeting on 15 February, which has been made available to support the budget.

- The Council's commercial investments have generated: dividend income of £62.3m in 2018/19 (predominantly but not exclusively from the Airport), 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 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. As an example the 2% council tax precept levied to fund social care would generate around £7.4m in a typical shire and c£3m in Manchester.

4.4 Local authorities are also in a state of considerable uncertainty regarding future funding and facing increasing pressures. The LGA 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. For the Council this gap has been estimated at £75m.

4.5 2019/20 is the last year of the four year Finance Settlement. There is no certainty over either the quantum or distribution of local government funding after that date and with an unprecedented level of uncertainty which includes:

- the economic and service impact of any Brexit decision and the fact that the Government has reserved the right to have a further Spring Budget should a no deal scenario occur.

- There is no clarity on the Spending Review (SR) timeline and process and it is rumoured any subsequent Finance Settlement may only be for 1-2 years. The SR sets the quantum of funding available for local government whilst the Finance Settlement sets out the distribution to individual local authorities.

- The Adult Social Care Green Paper is expected to set out a more sustainable longer term funding solution for adult social care but has been delayed until at least April 2019. The adult social care funding streams which technically end after 2019/20 include the Better Care Fund (£24.3m), improved Better Care Fund (£3.7m) and Winter Pressures Funding (£2.7m).

- Funding for each local authority is predicated on a funding formula. Funding is largely 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. The Fairer Funding Review is looking to establish a new formula with proposals out to consultation (closes 21 February). Of concern is the suggestion the current use of deprivation factors to allocate funding maybe reduced. This is a key driver of spend and Manchester will be significantly disadvantaged if this goes ahead.

- Finally, it is also likely that Greater Manchester will no longer be a 100% retention pilot from 2020/21. The work to move to 75% business rates retention across all Local Authorities will lead to a ‘hard reset’ in 2020/21 which means that Manchester will lose the benefit of the additional growth generated since 2013 and during the Greater Manchester pilot 100% retention period as the baseline for growth is reset.

Update of the 2019/20 Budget

4.6 Despite the pressures being faced the Council is determined to deliver the agreed priorities for Manchester. The budget is not just about how to manage within reducing resources but also on where funding should be invested to deliver on resident priorities and working with partners to jointly 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 thus 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.

4.7 The report to Executive in January 2019 set out the current budget position based on the Officer proposals to address the £21.6m budget gap for 2019/20 which went through the December Scrutiny Committee process and updated for the Local Government Finance Settlement received in December 2018.

The proposals included further savings of £6m from 2019/20. These will be in addition to the £9m already included in the original budget plan.

4.8 There has also been additional one off funding, particularly for social care, made available through the Autumn Budget, Finance Settlement and the GMCA Budget Setting process, the latter to be finalised at the GMCA meeting on 15 February. The report to January Executive did not set out how the following would be used:

- The additional grant funding for Social Care agreed as part of the Autumn Statement and confirmed in the Finance Settlement - £2.67m to support winter pressures and £4.55m for children's and adults social care.
- The return of £2.7m in 2018/19 from the unused central business rates revenue account surplus
- The subsequent proposed return *of funds from Greater Manchester Combined Authority (GMCA)* - GMCA will propose the return of c£6m of retained business rates and c£1m of transport resources to the City Council and this will formally be considered at the meeting of the Combined Authority on 15 February.
- The key decisions taken later in January to set the Council Tax and Business Rates Base and Collection Fund surpluses

4.9 An additional £12.6m one off government funding has been allocated to the Council since the Autumn Budget. The late announcement and one off nature of the funding allocated has made effective longer term planning more difficult and whilst central government have recognised the pressures local authorities are facing in these areas, the funding does not continue beyond 2019/20 and is insufficient to meet the increases in demand for services. When taken alongside the proposed return of revenues from the GMCA, the Council is relatively cash rich in the short term but is facing uncertainty and budget reductions in the future.

4.10 It was therefore recommended at the January Executive meeting that any one-off funding is used over a 2-3 year period and prioritised to the following areas:

- Care and support for vulnerable people by ensuring there is a sustainable amount of funding for Adult Social Care that enables the move to a more permanent structure, despite the volume of one-off funding;
- Giving young people the best start in life through investment in Youth Services plus a need to invest greater amounts into Children's services
- Taking action on family poverty including enhanced enforcement of the private rented sector and appropriate enforcement action;
- Tackling homelessness
- Further action to tackle littering, fly tipping and poor business waste management.

4.11 The budget includes the following proposals for additional investment above that originally planned as part of the 2018 budget setting process, with the full details being available in the relevant Business Plans:

- £4.6m additional investment into Children's Services to address budget pressures due to the increased number of placements for looked after children as well as seeking to release resource for early help and prevention and a further £150k for Youth Services. This is in addition to the £6m agreed in the January Executive Report and £2.8m agreed as part of the original budget set last year for 2019/20, bringing the total investment for 2019/20 to £13.6m.
- £7.6m rising to £8.0m for years 2 and 3 into adult social care to ensure service stability and that residents can access services on a timely basis. This includes the £2.8m included in the January Executive report and is in addition to the £3.8m agreed as part of the original budget for 2019/20, bringing the total investment for 2019/20 to £11.4m.
- £500k to support further action to tackle littering, fly-tipping and poor business waste management
- £255k to support food inspections
- £500k for enhanced enforcement activity in the private rented sector, as part of the homelessness budget. This is in addition to the £3.8m agreed for homelessness in the January Executive Report and £250k agreed as part of the original budget for 2019/20 set last year, bringing the total additional investment for 2019/20 to c£4.6m.
- £1.1m for welfare related support funded from additional council tax revenues in 2019/20. In future it proposed these costs will be met from additional Council Tax income relating to the proposed changes to empty property reliefs, if approved and subject to the outcomes of the consultation.

4.12 The changes outlined above would enable a balanced budget to be achieved for 2019/20, with a contribution to General Fund reserve of £65k as shown in the table below.

	2018 / 19 £000	**2019 / 20 £000**
Resources Available		
Business Rates related funding	324,753	314,653
Council Tax	154,070	166,507
Other non ring fenced Grants / Contributions	38,735	54,426
Dividends and Use of Airport Reserve	53,342	62,390
Use of Reserves to support the budget	8,743	12,439
Total Resources Available	**579,643**	**610,415**
Resources Required		
Corporate Costs:		
Levies/Charges	68,655	70,090

	2018 / 19 £000	2019 / 20 £000
Contingency	3,103	1,600
Capital Financing	44,507	44,507
Transfer to Reserves	7,286	6,902
Sub Total Corporate Costs	*123,551*	*123,099*
Directorate Costs:		
Additional Allowances and other pension costs	10,030	10,030
Insurance Costs	2,004	2,004
Directorate Budgets	439,919	465,272
Inflationary Pressures and budgets to be allocated	4,139	9,945
Total Directorate Costs	*456,092*	*487,251*
Total Resources Required	**579,643**	**610,350**
Transfer (to) General Fund Reserve	**0**	**(65)**

4.13 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)
- Business Plans (Children and Young People; Health and Social Care; Neighbourhood Services; Strategic Development; and the Corporate Core)
- Capital Strategy and Budget
- Housing Revenue Account
- Dedicated Schools Grant
- Treasury Management Strategy
- The Business Plans have been considered at the following Scrutiny Committees prior to this Executive.

4.14 The table below shows which scrutiny committees have considered which scrutiny business plans.

Business Plan	**Meeting**
Manchester Health and Care Commissioning Pooled Budget 2019/20, including Adult Social Care	Health Scrutiny Committee - 8 February 2019
Homelessness Business Planning: 2019/20	Neighbourhoods and Environment Scrutiny Committee - 9 February 2019

Children and Education Services Business Planning 2019-2020	Children and Young People Scrutiny Committee - 8 February 2019
Neighbourhoods Directorate Business Planning: 2019-20	Neighbourhoods and Environment Scrutiny Committee - 9 February 2019
Strategic Development Business Planning: 2019-2020	Neighbourhoods and Environment Scrutiny Committee - 9 February 2019 Economy Scrutiny Committee - 9 February 2019 Resources and Governance Scrutiny Committee - 10 February 2019
Corporate Core Business Plan: 2019/20	Resources and Governance Scrutiny Committee - 10 February 2019

5 **<u>Section 25 Report</u>**

5.1 Section 25 of the Local Government Act 2003 also requires that when a local authority is making its budget calculations, the Chief Finance Officer 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.

5.2 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 link to specific policy decisions, with the impact on service provision clearly articulated
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

Legal Issues

5.3 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.

5.4 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 different elements of the community and the interests of Council Tax and Business Rate payers in developing the proposals which are set out in the Directorate reports.

Duties of the City Treasurer

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

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

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

5.8 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 Chief Finance Officer. 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 position of some local authorities there is a growing scrutiny of the financial position of individual local authorities.

Other Statutory Duties

5.9 In considering the budget for 2018/19 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. 128. 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.

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

Reasonableness of the Estimates

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

Robustness of the Estimates

5.12 The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical.

5.13 *Leadership and Governance* - 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 City Treasurer who is a full member of the Senior Management Team and fully involved in the council's governance and decision making processes.

5.14 *Longer Term Financial Planning* - 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 2019/20 to align with the central government four year Finance Settlement they are underpinned by longer term financial planning:

- Five year Capital Strategy (and financing arrangements) and asset management plans

- Five year reserve strategy with three years published in the MTFP
- Financial and scenario planning over the next spending review period
- Three-year investment proposals for the use of the additional one off funding.

5.15 Effective arrangements are in place to facilitate longer term financial planning however it is a priority that a set of clear scenarios and savings are developed for 2020/21 and beyond in advance of the Finance Settlement.

5.16 *Sustainable Service Plans 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 Business Plans. The total savings required is £25.482m in 2018/19 and a further £14.798m in 2019/20. 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 at its monthly budget focussed meeting. Updates are also provided monthly to Executive Members. 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.

5.17 In 2018/19 46% of savings were considered high risk in terms of deliverability. These all related to Children's and Adult services and have been reassessed as part of the 2019/20 budget setting process. Full details are contained within the Business Plans.

5.18 *An assessment of value for money in the delivery of services* - 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 2018. An unqualified Value for Money conclusion was issued.

5.19 During December 2018 there was a review of the Children's budget position and placement numbers including an independent benchmarking of resources and performance carried out by Grant Thornton. This work was requested following budget discussions with Executive Members regarding the setting of a realistic and robust budget. The results of this review are set out in the Children's Services Business Plan and has informed the proposals for 2019/20. In addition the Performance Management Framework contains annual reporting on benchmarking information and use is made of benchmarking data such as CFO Insights to inform decision making.

5.20 *Compliance with Prudential Code* - as detailed in the Capital and Treasury Management Strategies the Council is compliant with the requirements of the Prudential Code. 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.

Assessment of Risk

5.21 The City Treasurer has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The 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 2018/19 and the impact for 2019/20 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 2018/19 has successfully reduced the overspend position.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	2019/20 completes the three-year budget commitment Additional one-off government funding of c£12m and council resources have been used to provide more funding in these areas based on a reassessment of demand. Funding 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 reviewed each month.
Delivery of a balanced budget beyond 2019/20	Longer term planning has started to address the uncertainty beyond 2019/20. In addition, the budget has 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.
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.

Risk	Mitigation
	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 is 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 receive 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.

5.22 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.

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

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

5.25 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.

Budget Scrutiny

5.26 Overview and Scrutiny committees are holding special meetings to look at the Budget Proposals and their delivery, paragraph 4.14 sets out the detail of which Business Plan went to which Scrutiny Committee. Resources and Governance Scrutiny Committee will look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council.

6 Conclusion

6.1 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.

6.2 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 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.

6.3 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.

Manchester City Council
Report for Resolution

Report to:	Executive – 13 February 2019 Resources and Governance Scrutiny Committee – 25 February 2019
Subject:	Medium Term Financial Plan 2019/20
Report of:	Chief Executive and City Treasurer

Purpose of the Report

This report sets out the budget proposals for 2019/20 based on the outcome of the Provisional Local Government Finance Settlement and the issues which need to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2019/20. 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 2019/20 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:

(i) Note that the financial position has been based on the Final Local Government Finance Settlement confirmed on 29 January 2019;
(ii) 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;
(iii) Consider the detailed reports from individual Strategic Directors elsewhere on this agenda (Directorate Business Plans) 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 2019/20;
(iv) Note the anticipated financial position for the Authority for the period 2018/19 to 2019/20 which is based on all proposals being agreed;
(v) Note that the Capital Strategy and Budget 2018/19 -2023/24 will be presented alongside this report;
(vi) Note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves, this is covered in more detail in the Budget 2019/20 Covering Report elsewhere on the agenda;
(vii) Make specific recommendations to Council to approve for 2019/20:
    a. an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.49% (including 1.5% for adult social care);

b. the contingency sum of £1.6m;

c. the inflationary pressures and budgets to be allocated sum of £9.945m (as shown in table 14); and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources. The MHCC elements of these costs have been included in the Pooled Budget and are subject to draw down in consultation with MHCC Finance Committee which will include consultation with the Executive Member for Finance and Human Resources;

d. corporate budget requirements to cover levies / charges of £70.090m, capital financing costs of £44.507m, additional allowances and other pension costs of £10.030m and insurance costs of £2.004m;

e. the estimated utilisation of £8.596m in 2019/20 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 position on reserves as identified in the report and in Appendix 3 subject to the final call on reserves after any changes are required to account for final levies etc.

(viii) Approve that delegated authority be given to the City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve, Social Care Reserve and Our Manchester Reserve in conjunction with Executive Members for Finance and Human Resources, Children's Services and Adult, Health and Wellbeing;

(ix) Approve the Directorate cash limits as set out in paragraph 74;

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

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

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

Wards Affected: All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive	This report considers the medium term financial strategy for 2019/20 that will

economy that creates jobs and opportunities.	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

The City Council remains committed to the three-year budget strategy established two years ago. 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 2019/20 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 2019/20 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 2019/20

The latest financial position for 2018/19 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.

Updated Financial Strategy 2019/20 report to Executive 16 January 2019
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=147&MId=291&Ver=4

Update on Revenue Financial Strategy and Business Plan Process 2019/20 to Resources and Governance Scrutiny Committee Thursday, 6 December
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=121&Ver=4

Provisional local government finance settlement: England, 2019 to 2020
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020?utm_source=89354b3a-3865-4051-9175-8247e58aeba8&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Autumn Budget 2017, 29 October 2018

2018 Autumn Budget document is available on the Government's website
https://www.gov.uk/government/publications/budget-2018-documents

Medium Term Financial Plan to Executive 7 February 2018
https://secure.manchester.gov.uk/meetings/meeting/2997/executive

Section 1 - Introduction

1. This report sets out the current financial assumptions for the City Council for 2019/20 which is the last year of the government's multi-year finance settlement.

2. The financial considerations contained within this report are based on the Provisional Local Government Finance Settlement issued on 13 December 2018 which covered the final year of the four year finance settlement. The final settlement was published on 29 January 2019. There were no changes affecting Manchester.

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

Section 2 - Background and Context

4. The priorities for the Manchester Capital and Revenue Strategies stem from the 'Our Manchester' Strategy. Our Manchester represents both the long-term strategy for the city and is at the core of how that strategy is delivered. The underpinning principles have been developed to fundamentally change the way that services are delivered and a shift in the relationship between the Council and the people of Manchester. The vision remains for Manchester to be in the top flight of world class cities. It will be a City:

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

5. This has set the framework for the Medium Term Financial Plan (Revenue) and Capital Strategy. In 2017/18 a three-year Revenue Budget Strategy (2017-2020) and a five-year Capital Strategy (2018-2023) were agreed. These set out investment priorities which include support for the City's vulnerable adults and children as well as neighbourhoods including investment in housing, schools and cultural and leisure facilities together with the City's longer term prosperity through economic growth.

6. The development of the three-year financial strategy for 2017-20 followed consultation with Manchester people on what services matter most to them. The budget set was aligned to the Our Manchester Strategy and reflected what Manchester people valued most, which was:

- care and support for vulnerable people including older people and those with learning disabilities and mental health needs;

- taking action on family poverty and giving young people the best start in life;
- tackling homelessness;
- supporting people into jobs and training;
- keeping roads and neighbourhoods in good shape; and
- parks and leisure to keep people active and happy.

7. The covering report elsewhere on the agenda sets out the context for the budget and draws on the Council's Corporate Plan which was launched in Autumn 2018 and sets out the 15 key priorities that underpin the Council's budget and business plans.

8. 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.

The Medium Term Financial Plan

9. This report sets out the latest financial position and what has changed in the Medium Term Financial Strategy. This is in the context of agreed priorities with residents, the latest financial position including any recent funding announcement and the Council's statutory duties.

10. The original budget covering 2018/19 and 2019/20 was approved by Council on 2 March 2018. However, whilst the overall strategic direction has not changed since that time it is necessary to revisit the financial position. The resources have been refreshed in the context of the City's growing business and residential base and being part of the 100% business rates growth retention pilot, the 2019 Autumn Statement and 2019/20 Finance Settlement including the additional Social Care grants which were announced after the three year strategy was set. Alongside this 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.

11. This report sets out proposals to address those issues

12. The structure of the report is as follows:

- Section 1: Introduction
- Section 2: Background and Context
- Section 3: Financial Context
- Section 4: Updated Savings Proposals
- Section 5: Overall Financial Position
- Section 6: Underpinning Financial Assumptions
- Section 7: Financial Reserves
- Section 8: Workforce Implications
- Section 9: Consultation

- Section 10: Conclusion

Section 3 - Financial Context

Original Financial Position 2018/19 to 2019/20

13. The table below shows the 2018/19 and 2019/20 budget as approved at March 2018 Council.

Table 1 – Budget per approved MTFP as at March 2018

	2018 / 19 £'000	2019 / 20 £'000
Resources Available		
Business Rates Related Funding	324,753	320,195
Council Tax	154,070	161,723
Other non ring fenced Grants	35,809	39,662
Dividends and Use of Airport Reserve	53,342	53,342
Use of other Reserves	8,188	4,490
Total Resources Available	**576,162**	**579,412**
Resources Required		
Corporate Costs:		
Levies/Charges	68,045	68,862
Contingency	3,103	2,100
Capital Financing	44,582	44,582
Transfer to Reserves	7,181	3,409
Sub Total Corporate Costs	*122,911*	*118,953*
Directorate Costs:		
Additional Allowances and other pension costs	10,003	10,183
Insurance Costs	2,004	2,004
Directorate Budgets	437,003	423,111
Inflationary Pressures and budgets to be allocated	4,241	34,128
Total Directorate Costs	*453,251*	*469,426*
Total Resources Required	**576,162**	**588,379**
Resources to be identified	**0**	**8,967**

Note the position above is as reported to Council March 2018 and does not reflect budget allocations or realignment since then.

Revised Proposals for 2019/20

14. The March 2018 report to Council noted there was a requirement for further resources or savings of £8.967m to be identified in 2019/20.

15. At Period 2 (May 2018) the Council reported an in-year overspend of £13.7m, this has reduced to £1.060m at Period 9 (December 2018) as reported elsewhere on the agenda in the Global Monitoring report, through the implementation of recovery plans and a review of the resources available.

16. It is important that the Council sets a sustainable budget moving forward into 2019/20. The most significant areas of cost pressure is the additional need arising from Social Care and Homelessness, together with the non-achievement of planned savings. The full year effect of these budget pressures is estimated at £13.222m, further increasing the budget gap of £8.967m to £22.189m.

17. To support the budget position and meet the identified pressures, there has been a full review of resources available, which has identified an additional £8.286m. These included additional council tax and business rates income, additional dividend from Manchester Airport and changes to government grants, particularly New Homes Bonus. These are set out in the report to January Executive. Further officer recovery proposals of £16.044m were identified which are appended to this report. Of these recovery proposals £5.776m are savings bringing the total of 2019/20 savings to £14.798m. As a result the savings over the three year period from 2017/18 have increased to £57m

18. After taking account of the full-year effect of the recovery plan measures, increased need to spend particularly on homelessness and social care, officer proposals to bridge the gap, and the updated position on resources the surplus was projected to be in the region of £2.1m as reported to January Executive and summarised below. Whilst the overall position has improved the underlying pressures on services such as Adult Social Care and Children's Services remain challenging.

Table 2 – 2019/20 position as reported to January Executive

	2019/20 £000
Original 2019/20 Budget Gap	8,967
Additional Pressures	13,222
Initial Shortfall	**22,189**
Resource Review	(8,286)
Officer Recovery Proposals	(13,044)
Further support for Looked After Children	(3,000)
Surplus	**(2,141)**

Changes since January Executive

19. As referenced in the January report to Executive, the Council has received notification that the Greater Manchester Combined Authority (GMCA) will propose the return of retained business rates (£6.021m) in 2018/19 and a

transport levy rebate (£0.975m) in 2019/20. This will be formally considered by GMCA on 15 February. In addition the Finance Settlement stated that an allocation of the business rates levy surplus (£2.699m) would be made from Government in 2018/19. This is a new announcement and had not been budgeted for.

20. There will also be a release of funding from Government following an error in the calculation and payment of S31 grant for Small Business Rates Relief dating back to 2017/18, providing additional resources of £1.840m in 2018/19 and £0.920m from 2019/20. Ministry of Housing, Communities and Local Government (MHCLG) shared the calculation, relating to the adjustment, with authorities in December, however, the official confirmation of allocations is yet to be received from the Ministry.

21. The Council Tax surplus has also improved by £0.904m since the production of the January report. The additional surplus will contribute towards an additional £1.1m for welfare related costs in 2019/20. In future such costs may be funded from additional Council Tax income relating to the proposed changes to empty property reliefs should this be approved; this consultation closes on 6 February 2019.

22. Additional funding for Social Care in 2019/20 was announced in the Autumn Budget. This included £2.666m to support winter pressures and £4.555m for children's and adult's social care. A report to Executive on 12 December outlined proposals to deploy the 2018/19 allocation of £2.666m and led to an Executive recommendation to deploy the additional posts required permanently using the 2019/20 funding.

23. Proposals have now been drawn up with partners for the most effective use of both sources of additional social care funding and are set out in detail in the Health and Social Care and Children's Services Business Plans.

24. There are also other Council held reserves / provisions totalling £7.195m which are proposed to be released to support investment and have not currently been allowed for in the funding assumptions/proposals to date. These relate to Adults Social Care services and are shown in the table below.

Table 3 – Additional One off funds

	2018 /19 £,000	**2019/20 £,000**
Government Funding:		
Share of Business Rates Levy Refund	(2,699)	0
Winter Pressures Grant	(2,666)	(2,666)
Social Care Support Grant (Adults and Children)		(4,555)
GMCA Rebates:		
Return of unused Business Rates Pilot Income	(6,021)	

	2018 /19 £,000	2019/20 £,000
Transport levy rebate (one-off)		(975)
Council Tax and Business Rates:		
Increase in Council Tax Collection Fund Surplus		(904)
SBRR (S31 grant) Correction	(1,840)	(920)
Reserve / Provision releases:		
Used of Adult Social Care earmarked reserves		(3,000)
Sleep in provision- judgement on back pay	(2,100)	
ASC Grant set aside	(1,000)	
Release of 2017/18 unallocated inflation (in Adults reserve)	(1,095)	
Total Additional Funding	**(17,421)**	**(13,020)**

Proposed Investment Priorities

25. Executive agreed the following priorities for any additional funding available:

- Care and support for vulnerable people by ensuring there is a sustainable amount of funding for Adult Social Care that enables the move to a more permanent structure, despite the volume of one-off funding;
- Giving young people the best start in life through investment in Youth Services plus a need to invest greater amounts into Children's services;
- Taking action on family poverty including enhanced enforcement of the private rented sector;
- Tackling homelessness and
- Further action to tackle littering, fly tipping and poor business waste management.

26. Following confirmation of the available funding and detailed work with partners and stakeholders in consultation with Executive Members a number of further investment proposals are included in the Medium Term Financial Plan and Business Plan reports.

27. January Executive agreed that one-off money should be used to further support resident priorities and front line services in a sustainable way over the coming three-year period, and that the following areas are prioritised:

- Care and support for vulnerable people by ensuring there is a sustainable amount of funding for Adult Social Care that enables the move to a more permanent structure, despite the volume of one-off funding;
- Giving young people the best start in life through investment in Youth Services plus a need to invest greater amounts into Children's services;
- Taking action on family poverty and taking enhanced enforcement action in the private rented sector;
- Tackling homelessness; and

- Further action to tackle littering, fly tipping and poor business waste management.

28. The longer term investment is to provide stability against:

- the future uncertainty of funding due to the comprehensive spending review, the fair funding review and the reform to business rates;
- funding allocations from Government are one-off, but the Council (working together with partners as necessary) needs longer-term capacity and
- the general uncertainty arising from the continuing BREXIT negotiations.

29. The main areas of significant investment over the next 2-3 years are detailed in the following paragraphs:

Children's Social Care

30. The December scrutiny proposals included investment of £6.039m a year for Looked After Children

31. Additional work was subsequently undertaken to review the children's budget and whether it was sustainable based on the assumptions included. This took into account an independent financial review undertaken by Grant Thornton to review the children's budget, its sustainability and the targets included in the 2018-20 budget for further reductions in external residential and foster care placements. Overall, this review suggested that the savings targets were ambitious and as a result that further investment was required.

32. The review shows that despite the investment since 2014/15, the level of expenditure on Children's Services in 2017/18 (25%) is average compared to statistical near neighbour groups and above average compared to metropolitan neighbour groups. In addition, the Children's Services budget overspend for Manchester in 2017/18 which was 12.5% was comparatively average to low when compared to the 'near neighbour' groups.

33. The recommended priority areas were to safely reduce referrals and assessments supported by a recommendation to invest further into early help, family support and prevention, where spend is low compared to 'near neighbour' comparative authorities.

34. Funding has been agreed for 2019/20 to reset the budget pending bringing forward a consolidated improvement plan to progress to a 'Good' service and setting out how budgets will be reconfigured to enable increased investment in early help and prevention.

35. The further resource requirements total £5.335m a year, largely relating to placement pressures. It is anticipated, based on the likely volume of children and young people, that MHCC could contribute a further £1.2m to these pressures based on the agreed three way funding split. This is subject to confirmation. It is proposed that the balance of £4.135m is met from 50% of

the Adult and Children's Social Care Grant i.e. c£2.278m and Council resources.

36. The placement pressures do not indicate a significant increase in the number of children looked after but instead removes the budgeted expectation that the placement numbers in external provision, both residential and foster care, would reduce. Manchester is now performing relatively well in the number of internal foster carers and Special Guardianship Orders and has a comparatively low number of external residential placement too.

Adult Social Care

37. Adult Services have produced an Improvement Plan designed to understand the immediate need for staffing resources to stabilise the service and in particular to manage waiting lists as well as work to design a fit for purpose structure for the future. Permanent recruitment to roles is an increasingly key requirement where possible, ensuring the building of high quality teams. It should be noted that this work is at a relatively early stage. The service is committed to achieve transformation through its three-year investment plan.

38. The estimated total budget requirement for the Adult Social Care (ASC) capacity required is £4.233m in 2019/20 increasing to £4.816m in 2020/21 and 2021/22 as follows:

- £1.067m in 2019/20 rising to £1.4m from 2020/21 (c60 fte) for additional capacity in Social Work, Safeguarding, the Citywide Care Homes Team, the Learning Disability service and other specialist services. Greater internal capacity for Best Interest Assessors supporting Deprivation of Liberty Safeguards
- £500k in 2019/20 rising to £750k in 2020/21 for proposals in development i.e. social work career pathway and additional team manager capacity for the in-house Learning Disability Accommodation Service.
- £1.456m to enable permanent recruitment to posts funded via ASC seasonal resilience funding as agreed at January 2018 Executive.
- £1.211m balance of seasonal resilience funding for additional winter arrangements such as placement costs as agreed between partners.

39. This will be funded across the three years 2019/20 - 2021/22 through use of the £2.666m a year Adult Social Care Resilience Grant, 50% of the Adult and Children's Social Care Grant i.e. c£2.278m, remaining Adult Social Care Reserve of £3m and £590k Council resources largely from the social care reserves outlined in table 2.

40. To fund the proposals above, in addition to the ASC winter pressures grant of £2.666m, the 2019/20 budget will be increased by a further £1.567m for the improvement plan. To reflect the likely timescales for recruitment the sum of £1.567m for 2019/20 will be phased with £0.784m added to the ASC budget and the remaining £0.783m held by the Council in the Adult Social Care Reserve to be drawn down as required in year.

41. From 2021/22 it is expected that the capacity requirements will change following transformation of services and further integration with health, improved practice and an overall stabilised and more efficient service.

Other Investment Priorities

42. After taking account of the additional Council Tax surplus and proposed investments the position is per the table below (all ongoing).
- Additional ongoing investment of **£150k** for Youth Services
- Further action to tackle littering, fly-tipping and poor business waste management of **£0.5m**.
- **£255k** investment to support Food Inspections
- **£0.5m** for enhanced enforcement activity in the private rented sector, as part of the homelessness budget. This is in addition to the £3.8m agreed in the January Executive Report and measures in the Recovery Plan bringing the total additional investment for 2019/20 to £4.3m.
- **£1.1m** for welfare related support funded from additional council tax revenues in 2019/20. In future it proposed these costs will be met from additional Council Tax income relating to the proposed changes to empty property reliefs, subject to the outcomes of consultation.

43. After taking account of the above additional funding and proposed investments the overall position for the 2019/20 Revenue Budget is per the following table.

Table 4 – Position after Additional Funds and Investments

	2019/20 £000
Surplus following January Executive	**(2,141)**
Additional Investments:	
Children's Investment	4,635
Adults Investment	4,233
Welfare Reform	1,100
Food Inspections	255
Homelessness - enhanced enforcement activity in the private rented sector	500
Further action to tackle littering, fly tipping and poor business waste management	500
Youth Funding	150
Funded by:	
Use of Social Care Grants and other reserves	(8,368)
Council Tax Surplus	(904)
Changes to Levies	(25)
Final position	**(65)**

Section 4 – Updated Savings Proposals

44. After taking into account the Recovery Plan proposals referenced in paragraph 17 and included at Appendix 1 the total saving target for 2019/20 is £14.798m.

Table 5 – Updated Savings and Budget Delivery Plans

	2019 / 20		
	Approved Savings £000	**Recovery Savings Proposals £000**	**Total £000**
Adults Social Care	18	1,975	1,993
Homelessness	0	440	440
Children and Education Services	2,269	776	3,045
Corporate Core	2,160	1,189	3,349
Neighbourhoods	4,575	376	4,951
Strategic Development	0	1,020	1,020
Total Savings identified	**9,022**	**5,776**	**14,798**

<u>Section 5 - Overall Financial Position</u>

45. Requests for additional funding to meet the spending proposals outlined in this report and detailed with Directorate Business and Budget Plans remain subject to scrutiny and Executive consideration. Should <u>all</u> 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 2019/20 with a contribution to the General Fund reserve of £65k.

Table 6 - Summary of Resources Available and Budget Requirement for 2018/19 and 2019/20

	2018 / 19 £000	**2019 / 20 £000**
Resources Available		
Business Rates related funding	324,753	314,653
Council Tax	154,070	166,507
Other non ring fenced Grants / Contributions	38,735	54,426
Dividends and Use of Airport Reserve	53,342	62,390
Use of Reserves to support the budget	8,743	12,439
Total Resources Available	**579,643**	**610,415**
Resources Required		
Corporate Costs:		
Levies/Charges	68,655	70,090
Contingency	3,103	1,600

	2018 / 19 £000	2019 / 20 £000
Capital Financing	44,507	44,507
Transfer to Reserves	7,286	6,902
Sub Total Corporate Costs	*123,551*	*123,099*
Directorate Costs:		
Additional Allowances and other pension costs	10,030	10,030
Insurance Costs	2,004	2,004
Directorate Budgets	439,919	465,272
Inflationary Pressures and budgets to be allocated	4,139	9,945
Total Directorate Costs	*456,092*	*487,251*
Total Resources Required	**579,643**	**610,350**
Transfer (to) General Fund Reserve	**0**	**(65)**

Section 6 - Underpinning Financial Assumptions

46. The remainder of the report goes onto set out the detailed assumptions which underpin the final year of the three year budget.

Resources Available

Business Rates Income

47. 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 and Cheshire East since 1 April 2015. The scheme set a growth baseline above which named 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.

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

Table 7 – Business Rates Related Funding 2018-20

	2018/19 £000	2019/20 £000
Business Rates Baseline	316,597	323,852
Business Rates Top Up / (Tariff)	(19,015)	(40,398)
Additional Business Rates Income	7,393	1,482
Business Rates Grants	19,778	29,717
Business Rates related funding	**324,753**	**314,653**

49. 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.

50. The **top up / (tariff)** is an amount received from or paid to Government to adjust income from business rates and bring it in to line with the Government's assessment of baseline funding level required.

51. **Additional Business Rates income** - This is the estimate of the additional business rates income above the government's business rates baseline. This includes the estimate of 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 2018/19.

52. **Business Rates Grants** - Section 31 grants totalling £19.778m are forecast for 2018/19 and £29.717m for 2019/20. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by government. This includes grants to facilitate the extension of the 100% Small Business Rates Relief (SBRR) and to compensate for the increase in the small business rates multiplier threshold. Annually, additional reliefs have been announced in the Autumn Statement. These have reduced business rates income and will be reimbursed as Section 31 grants e.g. retail relief from April 2019.

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

54. 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 due to the government to be retained for the benefit of Greater Manchester and the Cheshire authorities.

55. In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), is reimbursed to the Council.

56. The estimate for 2019/20 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ringfenced for the costs of the enterprise zone growth manager and the borrowing costs associated with EZ developments.

57. The Government has confirmed that the 100% business rates growth retention pilot for Greater Manchester will continue for 2019/20. There is no confirmation of what will happen beyond next year.

Table 8 - Forecast Business Rates Grants 2018-20

	2018 / 19 £000	2019 / 20 £000
Small Business Rates Relief	13,265	13,330
Pub Relief (ends in 2018/19)	141	0
Multiplier Cap	7,604	10,758
Retail relief	0	7,606
Supporting small businesses	0	213
Discretionary Revaluation	746	310
Long term empty property relief	287	0
Enterprise Zone discounts	1,223	1,034
Adjustment to Top up in relation to multiplier cap	(3,315)	(4,821)
SBRR additional grant - correction	0	1,287
Transfer from / (to) BR reserve	(173)	0
Total Section 31 Business Rates Grants	**19,778**	**29,717**

Council Tax

58. The Council collects council tax on behalf of itself, the GMCA police and crime commissioner precept, GMCA fire precept and the GMCA mayoral general precept. This reports focuses on the increase to the Council element. There will also be increases for the GMCA precepts.

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

- Referendum criteria - As part of the 2017-20 budget strategy, council tax rises for 2019/20 were agreed at 1.99% along with a further 1.5% specifically to care for vulnerable adults. This will raise £5.4m. The 2019/20 Local Government Finance Settlement gives the flexibility to raise the council tax by a further 1% to cover the cost of core services. The budget assumes that the Council will remain with the commitment to keep council tax in 2019/20 at the level as reported previously as part of the 2017-20 budget strategy and will not be implementing the further 1% increase.

- The assumption for the council tax collection rate is 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.

60. The impact on these changes on the 2019/20 position are shown in the following table :

Table 9 – Net Council Tax Income Increase 2018-20

	2018/19 £000	2019 /20 £000
General Increase 1.99%	2,877	3,058
Adult Social Care Increase 1.5%	2,169	2,305
Increase to Tax Base	4,014	4,039
Change in prior year surplus	(1,497)	3,035
Total Increased Council Tax	**7,563**	**12,437**

61. The table below shows the proposed Band D impact if the proposed increases are agreed by the Council and GMCA.

Table 10 - Proposed Band D Council Tax

Impact on Manchester Band D Council Tax Precepting Authority	**2018/19** £	**2019/20** £	***Increase*** %
Council (including Adult Social Care precept)	1,324.54	1,370.77	3.49%
GM Mayoral Police and Crime Commissioner Precept	174.3	198.3	13.77%
GMCA Fire	59.95	59.95	0.00%
GM Mayoral General Precept	8.00	17.00	112.50%
Total	**1,566.79**	**1,646.02**	**5.06%**

Other Non Ringfenced Grants and Contributions

62. The following table lists the **other non-ringfenced grants and contributions** expected.

Table 11 - Other Non-Ringfenced Grants and Contributions 2018/19 to 2019/20

	2018 / 19 £000	2019 / 20 £000
Better Care Fund (Improved)	14,762	24,374
Additional Better Care Fund (Improved)	7,644	3,775

	2018 / 19 £000	2019 / 20 £000
New Homes Bonus	6,420	8,202
Adult Social Care Support Grant	1,667	0
Adult Social Care Winter Pressures Grant	2,666	2,666
Contribution from MHCC	0	4,000
Children and Adults Social Care Grant	0	4,555
Education Services Grant	1,260	1,260
AGMA refund	155	0
Bus Reform including concessionary travel for 16-18 year olds - GMCA contribution	0	1,618
Brexit Preparation funding	105	105
Housing Benefit Administration Subsidy	2,636	2,514
Universal Credit Funding	314	314
Council Tax Support Administration. Subsidy	944	881
Care Act Grants	162	162
Total Non Ring-fenced Grants	**38,735**	**54,426**

63. Issues around the most significant grants and contributions are as follows:

- **Better Care Fund (Improved)** - was created in the 2015 Spending Review and provided local government with new funding for adult social care. From 2017 the Spending Review made available social care funds for local government, rising to £1.5 billion by 2019-20**.** Manchester's allocation in 2019/20 is £24.374m. With the pending Adult Social Care Green Paper, there is no clarity on how this will be funded beyond 2019/20.

- **Additional Better Care Fund (Improved)** - The Spring Budget 2017 included an announcement of an additional £2bn over the 3 years 2017-20 towards spend on adult social care services. 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. Manchester received an allocation of £24.336m for the three-year period; £12.917m in 2017/18, £7.644m in 2018/19 and £3.775m in 2019/20. 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. There is no certainty on how this will be funded beyond 2019/20. The majority of the original BCF grant was back loaded to the last two years of the four year settlement period. This additional grant was tapered to compliment the original grant and took account of the ability to raise council tax through the 2% precept which was introduced alongside it.

- **New Homes Bonus (NHB) -** The Government has now confirmed an additional £20m in 2019/20 which will enable the baseline threshold to remain at 0.4%. The City Council allocation is £8.202m, £1.202m higher than originally budgeted. It is likely that the New Homes Bonus will be reformed post 2019/20.

- **Adult Social Care Support Grant -** Introduced in the provisional 2017/18 settlement, its stated aim was to bring forward support for adults social care pressures. This was initially announced as a one off grant in 2017/18 met through adjustments to the funding for New Homes Bonus and subsequently allocated again in 2018/19. This funding has not been continued in 2019/20.

- **Adult Social Care Winter Pressures Grant** - Local authorities' share of £240 million additional funding announced to help local areas ease winter pressure on the NHS. This is aimed at reducing delayed transfers of care. Manchester's allocation is £2.666m and for the purposes of setting the budget it is assumed the grant is ongoing which will enable the associated recruitment to be to permanent posts.

- **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 (subject to formal agreement by the March 2019 CCG Board).

- **Children and Adults Social Care Grant -** The October 2018 budget announced a further £420m of funding for social care (Adults and Children's), the government stated this was to reduce demand on the NHS and improve the social care offer for older people, people with disabilities and children, Manchester's allocation is £4.555m.

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

- **Contribution for Bus Reform including 16 – 18 year old concessionary travel -** Funding will be allocated from the Greater Manchester Combined Authority to contribute to increased transport levy costs.

- **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 is £210k which will be received over two financial years - 2018/19 and 2019/20.

- **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.

- **Care Act Grants -** funding allocations for new adult social care duties previously announced.

64. **Airport Dividend and use of Airport Reserve** is forecast as follows: Originally, £52.942m was earmarked to support the budget in 2018/19. For 2019/20 the amount will be £61.990m.
- 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.

65. **Other Dividends**
- There is also £400k expected per annum for other dividends (National Car Parks Ltd and Piccadilly Triangle). 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. Consideration will also be given to the current year's budget position, in particular whether there is a shortfall in achieving the overall dividend budget or pressures in the investment estate that are not met via the smoothing reserve.

66. **Use of reserves to support the revenue budget** is £8.743m in 2018/19 and £12.439m in 2019/20. Details of these reserves are shown in table 15.

Resources Required

67. The following table sets out the forecast **levy payments**.

Table 12 - Levy Payments 2018/19 to 2019/20

	2018 / 19 £000	**2019 / 20 £000**
Transport Levy *	54,373	38,157
GMCA Waste Services **	13,969	31,614
Environment Agency	211	217
Probation (Residual Debt)	22	22
Magistrates Court (Residual Debt)	9	9
Port Health Authority	71	71
Net Cost of Levies	**68,655**	**70,090**

** 2018/19 reflects the reversal of a one off transfer between the transport and waste levies, 2019/20 reflects the underlying base position for both levies. .*

*** 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.*

68. The significant expected changes to the levies are summarised below:

- 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 15 February 2019 and may vary slightly. An additional contingency sum of £1m has been included within the Council's corporate contingency in 2019/20 to cover any potential increased charge in year.

- The GM Mayoral precept will be used to invest in bus reform. In the absence of final approval to the outstanding Parliamentary Order relating to Transport Functions, the GM Mayor is unable to raise monies directly for Bus Reform including the proposal for concessionary travel for 16 to 18 year olds and such costs fall on Districts by means of an increase to the transport levy. The GM Mayor will pay grants to Districts to offset those transport function costs on a pro-rata basis, the amount for Manchester is £1.618m.

- GMCA will propose the return of £0.975m transport resources to the City Council which will be formally be considered at the meeting of the GMCA on 15 February.

69. The required **contingency** amount includes:
    - £1m in relation to risks around the waste levy and collection.
    - £0.6m as an unallocated contingency to meet future unforeseen expenses.

70. **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 £25.637m is funded by interest received on loans made by the Council to Manchester Airport Group and other partner organisations

71. **Transfers to reserves** of £6.902m in 2019/20 relate to:
    - Minimum Revenue Provision (MRP) saving transferred to the Town Hall Reserve £2.4m in 2019/20
    - Transfer of £105k to reserves following the BREXIT preparation funding announcement. This will be fund costs anticipated to be incurred in 2019/20.
    - Transfer to Social Care Reserve of £2.904m of which £1.009m was in the original budget, £975k relates to the expected transport rebate from GMCA as per paragraph 19 and £920k additional Small Business Rates Relief grant as per paragraph 20.
    - Transfer to Adult Social Care Reserve £1.493m in 2019/20 from the element of Social Care grant allocated to adults to be used in 2020/21 as per paragraph 39.

72. **Additional allowances for former staff and teachers' pension costs** total £10.030m in 2019/20 relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time so this cost will reduce over time.

73. **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.

Directorate budgets

74. The cash limit budget for approval are set out in the table below, further detail is contained within the Directorate Reports. The figures in the table do not include the waste levy of £31.614m in 2019/20 which is shown against Corporate Items but will be monitored by the Neighbourhoods Directorate.

Table 13 – Cash Limit budgets

	2018 / 19 £000	**2019 /20 £000**
Children's Services	109,898	120,434
Adults Services	185,913	198,263
Homelessness	9,225	13,375
Corporate Core	70,087	67,838
Neighbourhood Directorate	57,561	59,847
Strategic Development	7,235	5,515
Total	**439,919**	**465,272**

Inflationary Pressures and Budgets to be Allocated

75. The main assumptions are as follows :

Table 14 – Inflationary pressures and budgets to be allocated

	2018 / 19 £000	**2019 /20 £000**
Non Pay Inflation	2,539	3,539
Pay Inflation at 2%	0	4,323
Employee Costs of Minimum Wage	0	775
Apprenticeship Levy 0.5%	900	900
Carbon Reduction Tax / Climate Change Levy	660	368
Contribution to Cemeteries Reserve	40	40
Total	**4,139**	**9,945**

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 £4.258m, Pay Inflation £1.002m and Non Pay Inflation £2.684m.

76. The main assumptions are as follows:

- Non Pay inflation provided for increased running costs each year, a balance of £2.539m in 2018/19 with a full year budget provision of £3.539m for 2019/20. This also includes funding for the anticipated increase in utility charges.

- Pay inflation at 2%, based on the approved 2 year pay award ending in 2019/20 and also reflecting the changes to the pay assimilation from April 2019.

- Employee cost of minimum wage - the estimated costs of the Manchester minimum wage are expected to be £0.775m in 2019/20.

- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.

- Carbon reduction tax - from 2019/20 this will be abolished and the Climate change levy (CCL) rates will be increased. The £0.66m budget for 2018/19 has been removed therefore and the budget has been updated to include £368k for CCL costs in 2019/20.

- Contribution to Cemeteries reserve - this is an annual budget commitment to contribute to the reserve to purchase land for burials.

Section 7 - Financial Reserves

77. 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.

78. The reserves include:
    - Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
    - PFI Reserves – held to meet costs across the life of the PFI schemes
    - Reserves to offset risk and manage volatility – such as the Insurance Fund Reserve, and reserves to smooth volatility in for example adult social care placements due to winter pressures
    - Schools reserves – schools funding which the Council cannot utilise
    - Reserves held to support capital schemes
    - Reserves to support economic growth and public sector reform
    - Grants and contributions which fall across more than one year – following local authority accounting standards these are held in a reserve

79. The following table shows an analysis of the planned use of reserves in 2018/19 and 2019/20 to support revenue expenditure.

Table 15 - Planned use of reserves 2018-20

	2018 / 19 £'000	2019 / 20 £'000
Statutory Reserves:		
Bus Lane and Parking reserves	7,861	5,504
Other Statutory Reserves	184	85
Balances Held for PFI's	**41**	**500**
Reserves directly supporting the revenue budget:		
Budget smoothing reserve	2,500	2,500
Capital Fund	3,493	0
Business Rates Reserve	540	490
Bus Lane (Supporting Transport Levy)	710	3,092
Social Care Reserve	1,500	6,357
Service Reserves:		
Adult Social Care	4,916	3,643
Social Care Reserve	4,015	1,320
Small Specific Reserves	**1,568**	**124**
Reserves held to smooth risk / assurance:		
Airport Dividend Reserve	38,029	45,413
Business Rates Reserve	4,000	2,000
Historic Abuse Claims Reserve	522	0
Other reserves held to smooth risk / assurance	6,333	1,730
Reserves held to support capital schemes:		
Capital Fund	23,880	10,237
Other reserves held to support capital schemes	8,385	10,408
Reserves held to support growth and reform:		
Clean City Reserve	1,684	412
Better Care Reserve	10,407	1,955
Town Hall Reserve	4,971	2,867
City Centre Reserve	2,927	0
Our Manchester Reserve	1,694	2,584
Other Reserves to support growth and reform	543	164
Grants and Contributions used to meet commitments over more than one year	**4,032**	**686**
General Fund	**1,060**	**0**
	135,795	**102,071**

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

81. *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 2019 is £11.936m. It is estimated that £9.049m will be added to these reserves during 2019/20 and £8.596m used. It will be used in accordance with these requirements to fund spend in the Neighbourhoods Directorate as well as part of the transport levy.

82. *Budget Smoothing Reserve* - This reserve was funded from a £5m transfer from a reserve previously set aside for historic abuse claims and is to be used to support the 2018/19 and 2019/20 budget.

83. *Social Care Investment Reserve*
A Children's Services Investment Reserve was initially established as part of the 2015/16 budget process to support the improvement of services which protect the most vulnerable children and to reduce the need for safeguarding by tackling complex problems which leaves some families dependent on targeted services.

84. During December 2018 there was a review of the Children's budget position and placement numbers including an independent benchmarking of resources and performance. The review reiterated Manchester has a very high rate of referrals and assessments and a higher than average rate of re-referrals.

85. Whilst there has been a significant reduction in external residential placements the number of placements have stabilised over the last few years. It should be noted, that during the same period there has been a significant reduction in the number of internal residential placements.

86. The analysis indicates the budget should not be set based on further reductions in external residential and external foster care placements and suggests a revised budget strategy to ensure a sustainable budget is set within the context of value of money and meeting need effectively. There are also growing pressures across a number of areas in the Council's budget relating to social care and providing the support to the vulnerable. Subsequently there is a need to use one-off resource to address these pressures as well as the delivery of children's services on a locality footprint and a three year budget strategy. Drawdown of the reserve will be predicated on the development of the Consolidated Improvement Plan for Children's Services and a business case process for any other areas.

87. *Adult Social Care Reserve* - As set out in paragraph 40 the additional funding identified for Adult Social Care will be used over 3 years to 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'.

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

89. *Business Rates Reserve* – The 2019/20 use of £2.490m relates to £2m supporting the budget and £490k for Revenue and Benefit investment approved in March 2018.

90. *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.

Section 8 - Workforce Implications

91. 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.

92. A comprehensive work programme is in place to deliver on the vision of Our People Strategy 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

93. 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:

- **Leadership** that lives the Our Manchester Behaviours
- Consistent high quality people **management,** underpinned by clear and effective policies, guidance and support
- Driving **equality** objectives as an employer
- **Development and skills** to deliver now and in the future: supporting the development of all staff, at every level
- **Strategy** which embeds the Our Manchester behaviours in all staff do
- An approach to **resourcing** which maximised organisational capacity

Table 16: Workforce numbers

Summary by Directorate	2018-2019 Budgeted Posts FTE	2019 - 2020 Saving Proposals Gross FTE Impact (Indicative)
Adult Social Care	1,207	0.00
Homelessness	250	0.00
Children and Education Services	1,301	0.00
Corporate Core	1,741	13.00
Neighbourhoods (including Highways)	1,441	0.00
Strategic Development	668	0.00
Total	**6,608**	**13.00**

It should also be noted:

- With regards to the £3m of savings relating to HR policies and processes - £1.5m scheduled for 2018/19 has been achieved, with a further £1.5m planned for 2019/20. In 2019/20 these will be achieved via further savings from the annual leave purchase scheme, the introduction of a shared cost (salary sacrifice) model for the purchase of pension Additional Voluntary Contributions, savings from work already undertaken to rationalise the Council's senior structure and the identification of vacancies for deletion.

- A further £0.5m savings target is linked to delivering a transformation programme across the Corporate Core. - The details of this work are still emerging but it is likely to have some workforce implications.

94. Given the organisation's rate of turnover and current vacancies it continues to be anticipated that the workforce reductions can be achieved without the need for the use of an enhanced early retirement or voluntary redundancy scheme.

95. The proposed investment in services over the period of the budget will also create employment opportunities. Subject to approval, the additional posts established in the City Council will be included within the overall workforce planning requirements. This includes:

- Adult social care improvement work to put the right foundations in place through work to embed streamlined process, effective practice, and an enabled workforce with the right resources in place to manage demand. It is envisaged that this will lead to additional capacity of c100 FTE.

- Additional capacity for Homelessness support to reduce caseloads and a further proposal to provide additional funding for enforcement activity for accommodation across the City is being held in the Homelessness budget. This is also likely to result in an additional staffing requirement but the exact impact is to be determined.

- Within Neighbourhoods, additional investment is proposed to address the issue of fly tipping - if approved, this will be used to fund 3 FTEs that will seek to work with businesses to ensure commercial waste is disposed of appropriately. It is also proposed to provide investment to fund increased staffing resources of 7 FTEs required to address increased demands within Food Safety.

96. Over the past year the progress of Health and Social Care Integration has continued at pace, with a significant number of staff deployed into the Manchester Local Care Organisation (MLCO). All Council staff affected will remain employees of the Council.

Section 9 – Consultation

97. 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, over 4,250 people got involved over 3 phases of consultation. This information was used to inform the Council's spending plans for the next three years.

98. 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 a conversations about businesses rates.

99. One of the ways Manchester have 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.

100. This report details proposals to meet the requirement to produce a definitive budget to be approved at the City Council meeting on 8 March 2019. The report sets out a proposed investment approach to underpin the delivery of Our Manchester. There is a reasonable basis for setting the budget for 2019/20.

101. An additional £12.6m one off government funding has been allocated to the Council since the Autumn Budget. The late announcement and one off nature of the funding allocated has made effective longer term planning more difficult and whilst central government have recognised the pressures local authorities are facing in these areas, the funding does not continue beyond 2019/20 and is insufficient to meet the increases in demand for services. When taken alongside the proposed return of revenues from the GMCA, the Council is relatively cash rich in the short term but is facing uncertainty and budget reductions in the future.

102. This is a period of continued reductions in resources and growing pressures. The savings required over the next year are £14.798m 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.

103. The range of potential changes to Local Government Financing from 2020/21 is considerable, including:

- New Spending Review period starts 2020/21 – potential continuation of austerity. Reports Summer 2019.
- Funding formula for allocating funding to local authorities is changing. Reports Summer / Autumn 2019.
- Changes to how business rates are managed – currently the Council retains 100% of <u>growth</u> generated during valuation period, although this is then lost at the reset of the base. Likely to move to 75%.
- Business rates income very volatile and difficult to predict, particularly due to the number and scale of appeals.
- Changes to long-term funding for adult social care with the delay again of the Green Paper now expected Spring 2019.
- Increasing pressures from welfare reforms which are not fully funded.

<u>Section 12 - Recommendations</u>

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

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Appendix 1
Savings and Recovery Proposals 2019/20

Children's Services

Service Area	Description	RAG Deliverability	2019/20 £000
Original 2018-20 savings			
	Demand Management and Practice Efficiencies	Amber	500
	Travel Co-ordination	Amber	90
	Review of Commissions	Green	100
New savings proposals			
	Reduction in Use of Agency	Green	186
	Legal Compensation budget underspend	Green	50
	Information and governance existing underspend	Green	40
	Review of further commissions	Green	100
	Market management for placement costs	Red	400
Savings to manage existing pressures			
	Supported Accommodation - Leaving Care	Amber	309
	Adoption Allowances	Amber	145
	Home to School Transport	Amber	733
			2,653
	Investment Adjustment		392
Children's Services - Total Saving Proposals			**3,045**

Adults Social Care

Service Area	Description	RAG Deliverability	2019/20 £000
New Care Models Gross Savings:			
	Assistive Technology	Red	1,162
	Reablement Core / Complex	Red	3,218
	High Impact Primary Care	Red	153
Gross NCM savings			**4,533**
	New Care Models Investment:		
	Extra Care		(734)
	Reablement		(2,679)
	Use of Adult Social Care Grant Contribution to Reablement		1,568
	Total Investment		**(1,845)**
	Sub-total New Care Models - Net Savings		**2,688**
Other ASC Savings			
	High Cost Placements (Learning Disability)	Amber	500
	Strengths Based Support Planning - Mental Health	Red	775
	Homecare: Implement outcomes based commissioning	Amber	750
	Contract Review	Red	500
	Prepaid Cards for Cash Individual Budgets	Amber	200
	Strengths Based Support Planning - All ASC Packages	Red	500
	Shared Lives (net of £150k investment)	Red	150
Sub-total other Adult Social Care Savings			**3,375**

Service Area	Description	RAG Deliverability	2019/20 £000
Total Net Savings to be achieved			**6,063**
	Contribution to 2018/19 Unachieved Savings		(2,502)
Total Net 2019/20 Savings to be achieved			**3,561**
	Recovery - Use of Adult Social Care Grant		(1,568)
Total Net Savings Contributing towards 2019/20 position			**1,993**

Homelessness

Service Area	Description	RAG Deliverability	2019/20 £000
Recovery proposals:			
	Savings relating to additional capacity within unsupported accommodation spend	Amber	440
Homelessness Services - Total			**440**

Neighbourhoods Directorate

Service Area	Description	RAG Deliverability	2019/20 £000
Savings approved in Medium Term Financial plan:			
Parks, Leisure and Events	Reduce costs of indoor leisure through recommissioning of contracts	Green	150
	Energy improvements on leisure buildings	Green	50
	Wythenshawe Forum Trust - efficiencies from sharing back office functions	Green	50
	Co-commissioning leisure services across Greater Manchester	Green	50
	Business Units - Increasing bereavement services offer	Green	60
Waste Management			
	Planned Service change through increasing levels of recycling	Green	900
	Other service changes - apartment blocks	Amber	250
	Reviewing waste disposal costs	Green	3,000
Highways			
	Highways - Manchester Contracts off hire under used vehicles	Amber	20
	Highways - Design Team - Implement webforms to ensure staff efficiencies, introduce re-modelled fee structure, reduce consultancy usage and review team capacity.	Amber	45
Total MTFP Savings			**4,575**
New Saving proposals:			
	Neighbourhoods Service Increase in income from fees and charges	Green	156

Service Area	Description	RAG Deliverability	2019/20 £000
	The replacement of agency staff with permanent staff	Green	40
	Review of plant, equipment and vehicles expenditure at Manchester Contracts	Green	5
	Highways additional fee income by reviewing the capital fee income rates charged, permits, skips and licenses.	Green	75
	Reduced spend on supplies and services across the directorate	Green	100
Total New Saving proposals			**376**
Neighbourhoods Directorate - Total Saving Proposals			**4,951**

Corporate Core

Service Area	Description	RAG Deliverability	2019/20 £000	FTE Impact (Indicative)
Savings approved in Medium Term Financial plan:				
	ICT - Revenue savings through reduced maintenance/ licensing costs following capital investment	Amber	170	
	Legal and Democratic Services - Staffing reduction in legal services following planned reduction in Children's caseload	Amber	100	2.0
	Financial Management - Lean systems - Service review and improved efficiency through ICT development and changes to finance processes	Amber	390	11.0
	Cross Cutting HR Policies and processes - Purchase of annual leave	Green	150	
	Cross Cutting HR policies and processes - Car allowance scheme and funded vacancies	Amber	100	
	Cross Cutting HR policies and processes - Rationalisation of Senior structure	Green	540	
	Cross cutting HR Policies and processes - new AVC scheme	Amber	150	
	Cross cutting HR Policies and Processes - Review existing HR policies and Processes. Identify further funded vacancies	Red	560	
Total MTFP Savings			**2,160**	**13.0**
New Saving proposals:				

Service Area	Description	RAG Deliverability	2019/20 £000	FTE Impact (Indicative)
	Review of budgeted expenditure on supplies and services:			
	- City Policy - Special Projects	Green	100	
	- Performance Reform and Innovation	Green	4	
	- Central Communications budget	Green	25	
	- Commissioning	Green	15	
	- Human Resources	Green	50	
	Reduced cost of the Data Governance improvement programme	Green	60	
	Reduced expenditure against resources allocated for ICT investment	Green	435	
	Review of the Core Transformation work	Red	500	
Total New Saving proposals			**1,189**	**0**
Corporate Core Directorate - Total Savings proposals			**3,349**	**13.0**

Strategic Development

Service Area	Description	RAG Deliverability	2019/20 £000
New Saving proposals:			
	An increased recharge for Building Control to the Housing Revenue Account, for work on the Council property stock	Green	20
	The Investment Estate income budget will be increased by £1m relating to additional lease income from the renegotiation of the Manchester Airport car park leases.	Green	1,000
Strategic Development - Total			**1,020**

Total Recovery Proposals

Service Area	2019/20 £000	FTE Impact (Indicative)
Total Savings Proposals 2019/20	14,798	13

Recovery Proposals

Service Area	Description	2019/20 £000
Recovery proposals:		
Children's	Additional funding built into the Looked After Children Investment Fund to further support the position over the next three to five years	3,000
Adults	Application of 2019/20 Adult Social Care Reform Grant	1,568
Adults	Risk share contribution from the pooled budget	4,000
Homelessness	Resource has been identified to support homelessness from corporate inflationary budgets	1,400
Neighbourhoods	Proposed revised utilisation of the bus lane reserve to include to enable of savings to be generated by the service.	300
Total		**10,268**

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APPENDIX 2

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. **INTRODUCTION**

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

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

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

1.3 There are three main stages in setting the council tax:-

STAGE 1 - The Council calculates is own **council tax requirement,** (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the 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 Tax payers and ratepayers.

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

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

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

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

4.2 Section 31B Calculation

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

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

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

4.3 Council Tax Base

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2019/20 to be 116,015. 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. <u>COUNCIL TAX REFERENDUMS</u>

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

5.2 The provisions require the Council to determine whether its "basic amount of council tax" for a financial year is excessive. This question must be decided on accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 4.5%, (including 1.5% for adult social care) is deemed "excessive" in 2019/20. The Council element is only increasing by 1.99% in 2019/20 not 2.99%. This reflects the allowable increases for adult social care over the 3 year period from 2017/18. 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 City Council as billing authority.

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

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

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

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

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 13 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 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.

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APPENDIX 3: RESERVES

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
Schools Reserve	20,000	(259)	0	19,741	19,482	19,223	18,964	
General Fund Reserves								
Statutory Reserves	16,370	(8,681)	10,352	18,041	18,658	18,261	17,349	
Earmarked Reserves	241,191	(93,390)	97,282	245,083	230,054	210,191	196,804	
General Fund Reserve	22,779	0	65	22,844	22,844	22,844	22,844	
Total General Fund	**280,340**	**(102,071)**	**107,699**	**285,968**	**271,556**	**251,296**	**236,997**	
Housing Revenue Account Reserves:								
Housing Revenue Account General Reserve	65,352	(16,136)	0	49,216	35,106	39,217	36,994	
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	1,570	0	200	1,770	1,970	2,170	2,370	
Total HRA	100,922	(16,136)	200	84,986	71,076	75,387	73,364	
TOTAL RESERVES	401,262	(118,466)	104,995	387,791	359,210	343,002	326,421	
SCHOOLS RESERVE								
LMS Reserve	20,000	(259)	0	19,741	19,482	19,223	18,964	School balances - These are not a Manchester City Council resource and so cannot be used by MCC

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
Sub Total Schools	20,000	(259)	0	19,741	19,482	19,223	18,964	
STATUTORY RESERVES								
Bus Lane Enforcement Reserve	10,016	(4,242)	4,000	9,774	9,282	8,290	7,298	Ringfenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	1,737	(4,354)	5,049	2,432	3,841	5,250	6,659	Ringfenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	1,872	(45)	0	1,827	1,782	1,737	1,692	Received from the HCA to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Spinningfields Commuted Sum	958	(20)	0	938	918	898	878	Funds received as part of an agreement to cover maintenance costs.

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
New Smithfield Market	349	0	20	369	369	369	369	To contribute towards funding the development plans for the market
Great Northern Square Maintenance Fund	303	(20)	0	283	263	243	223	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	Kept as part of future payments for school prizes
Landlord Licensing Reserve	319	0	1,283	1,602	1,387	658	(586)	Smoothing reserve
Art Fund Reserve	35	0	0	35	35	35	35	For art purchases
St Johns Gardens Contingency	764	0	0	764	764	764	764	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	**16,370**	**(8,681)**	**10,352**	**18,041**	**18,658**	**18,261**	**17,349**	
BALANCES HELD FOR PFI'S								

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
Street Lighting PFI	500	(500)	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	665	0	12	677	564	441	295	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	1,312	0	40	1,352	1,392	1,432	1,472	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	**2,477**	**(500)**	**52**	**2,029**	**1,956**	**1,873**	**1,767**	
Reserves directly supporting the revenue budget								
Adult Social Care	3,060	(3,643)	4,493	3,910	1,760	0	0	To support Adult and Social Care Improvement Plan
Social Care Reserve	16,597	(7,677)	2,904	11,824	5,609	31	31	To address pressures in social care, in particular the need to invest in early help and

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								prevention in Children's Services and continued pressures on LAC budgets
Budget smoothing reserve	2,500	(2,500)	0	0	0	0	0	To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets
Total held to support the revenue budget	**22,157**	**(13,820)**	**7,397**	**15,734**	**7,369**	**31**	**31**	
RESERVES HELD TO SMOOTH RISK / ASSURANCE								
Risks								
Historic Abuse Claims Reserve	600	0	0	600	600	600	600	For potential future legal cases
Planning Reserve	1,511	0	0	1,511	1,511	1,511	1,511	Reserve to be used to fund costs of staff and studies required

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								to meet our statutory obligations to bring forward a Local Plan
Transformation Reserve	8,953	0	0	8,953	8,953	8,953	8,953	To support costs of future service change.
Airport Dividend reserve	45,413	(45,413)	45,413	45,413	45,413	45,413	45,413	The additional airport dividend will be used to support future years budget
Land Charges Fees Reserve	373	0	0	373	373	373	373	To mitigate risk across financial years
Pension Risk Fund - MWL	514	0	10	524	0	0	0	To fund wind up costs in 2020/21
Manchester International Festival	1,508	(500)	0	1,008	508	0	0	To fund the additional costs of the Manchester International Festival Fund and Factory.
Highways reserve	1,208	(30)	0	1,178	1,148	1,118	1,088	Commuted sums received that will be utilised for highways schemes in future years
Insurance Fund	12,124	(500)	0	11,624	11,124	10,624	10,124	The insurance fund has been established

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								to fund risks that are self insured.
Newton Heath Market Reserve	22	0	0	22	22	22	22	To fund future markets expenditure
Selective Licensing reserve	300	0	0	300	300	300	300	Costs for administering the reputable landlord initiative and ensure compliance
Investment Estate smoothing reserve	1,000	(700)	0	300	300	300	300	To manage budget pressures due to the volatility in investment income.
Business Rates Reserve	18,521	(2,490)	9,508	25,539	23,049	20,559	20,069	To mitigate Business Rates income risk
TOTAL Risk/Smooth	**92,047**	**(49,633)**	**54,931**	**97,345**	**93,301**	**89,773**	**88,753**	
RESERVES HELD TO FUND PLANNED CAPITAL SPEND								
Regeneration reserve	12,796	(2,325)	0	10,471	8,146	6,571	5,371	To deliver regeneration projects.
Enterprise zone reserve	893	(75)	563	1,381	1,313	0	0	To fund the borrowing costs of projects.
Capital Fund Reserve	51,876	(10,237)	19,217	60,856	60,692	52,104	38,041	Contribution to schemes which are being brought

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								forward to support employment and growth as part of the Council's Capital Programme. Used to fund high priority strategic development opportunities in the city for those that do not attract external funding. This can also be used for revenue.
Capital Financing Reserve	26,542	0	5,000	31,542	36,542	41,542	46,542	To reflect increase in borrowing costs due to the Council's capital investment
Eastlands Reserve	9,445	(8,008)	7,627	9,064	9,051	9,366	9,777	English Institute of Sport - Sport England MCFC income
Total to fund capital spend	**101,552**	**(20,645)**	**32,407**	**113,314**	**115,744**	**109,583**	**99,731**	
RESERVES TO SUPPORT GROWTH AND REFORM								
Better Care	3,303	(1,955)	0	1,348	75	75	75	Contributions received from CCG's
Town Hall Reserve	10,383	(2,867)	2,400	9,916	7,540	5,329	3,100	To fund revenue expenditure on the

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								Town Hall Complex Programme
Clean City	412	(412)	0	0	0	0	0	To support green initiatives
NW Construction Hub Reserve	213	(164)	0	49	49	49	49	The capital programme section manages the NWCH, other LA's pay a fee to use the service and the income is used to cover the cost of retendering every three years.
Our Manchester reserve	4,220	(2,584)	0	1,636	800	600	400	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester
TOTAL	**18,531**	**(7,982)**	**2,400**	**12,949**	**8,464**	**6,053**	**3,624**	
GRANTS USED OVER ONE YEAR								
English Partnership (HCA)	1,362	(500)	0	862	362	0	0	HCA approval required to Fund Development

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								appraisal and Eastlands Project team
Other Grants and Contributions	503	(48)	0	455	443	443	443	Various local Environment scheme & initiatives i.e. 'clean up campaigns'
Contributions Other Local Authorities	358	0	0	358	358	358	358	Relates to various ongoing Civil Contingencies schemes.
Other Grants and Contributions Regeneration	90	0	0	90	90	90	90	Unspent grant received in previous year
Asylum Seekers	288	(138)	0	150	150	150	150	£482k will be drawn down from the Asylum Seekers reserve that was originally set aside from The Target Asylum Contracts, earned by the NW consortium team. This will fund the Local Authority Asylum Support Officer (LAASLO) project. Remaining balance is to fund

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
								residual costs to be incurred by the local authority
Flood management reserve	37	0	0	37	37	37	37	Unspent grant received in previous year
TOTAL	**2,638**	**(686)**	**0**	**1,952**	**1,440**	**1,078**	**1,078**	
SMALL SPECIFIC RESERVES								
Investment Reserve from Surpluses	151	0	0	151	151	151	151	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	51	0	0	51	51	51	51	General reserve
Highways Commuted Sum	468	(20)	0	448	428	408	388	Funds received as part of developer agreements
NSM - Car Boot	273	(45)	55	283	293	303	313	Used to fund repairs and maintenance of facilities for traders.

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
Cemeteries Replacement	401	0	40	441	481	521	561	To purchase land for burials
Primary School Catering Reserve	49	(49)	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.
Catering R & M Insurance Account	201	0	0	201	201	201	201	Reserve established to meet refurbishment cost of school kitchens.
CWAG Reserve	70	(10)	0	60	50	40	30	Held in relation to the running costs of Council's With ALMOs Group (CWAG) 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
Other Small Specific reserves	28	0	0	28	28	28	28	Small specific reserves

Reserve	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	Closing Balance 31/03/2021	Closing Balance 31/03/2022	Closing Balance 31/03/2023	Purpose
	£000	£000	£000	£000	£000	£000	£000	
Total Small Specific Reserves	**1,789**	**(124)**	**95**	**1,760**	**1,780**	**1,800**	**1,820**	
TOTAL EARMARKED RESERVES	**241,191**	**(93,390)**	**97,282**	**245,083**	**230,054**	**210,191**	**196,804**	
Total General Fund Reserves	**280,340**	**(102,071)**	**107,699**	**285,968**	**271,556**	**251,296**	**236,997**	

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Manchester City Council
Report for Resolution

Report to: Executive – 13 February 2019
Council – 8 March 2019

Subject: Capital Strategy and Budget 2018/19 to 2023/24

Report of: Chief Executive and City Treasurer

Summary

The purpose of the report is to present the 2018/19 capital programme and forward commitments, alongside the Capital Strategy for the City Council.

Recommendations

The Executive is recommended to:

1. commend the report to Council.

2. Note the capital strategy.

3. Delegate authority to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2018/19 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 recommended to:

1. Approve the budget changes for the 2018/19 capital programme.

2. Approve the capital programme as presented in Appendix 3 (for £495.3m in 2018/19, £505.6m in 2019/20, £419.0m in 2020/21, £244.0m in 2021/22, £86.9m in 2022/23 and £39.0m in 2023/24) which will require prudential borrowing of £617.2m 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 Chief Executive and Director of Highways in consultation with the Executive Member for Environment for the approval of the list of schemes to be undertaken under the Highways capital programme.

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

   c) The City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2019/20 and then £5m per year thereafter.

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

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

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Wards Affected: Various

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 £617.6m (all non-HRA) of prudential borrowing over the five year 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 2018/19 is £399.5m, of which £259.9m is forecast to be funded from borrowing. Across the forecast period 2019/20 to 2023/24, the budget is £1,110.0m, of which £617.6m 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 2018/19 – 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 7 February 2018 (Capital Strategy and Budget 2018/19 to 2022/23)
Report to Council 2 March 2018 (Capital Strategy and Budget 2018/19 to 2022/23)
Report to the Executive 30 May 2018 (Capital Programme Monitoring 2017/18 – Outturn report)
Report to the Executive 25 July 2018 (Capital Programme Monitoring – Q1)

Report to the Executive 17 October 2018 (Capital Programme Monitoring – Q2)
Report to the Executive 17 October 2018 (Capital Update)
Report to the Executive 14 November 2018 (Capital Programme Update)
Report to the Executive 12 December 2018 (Capital Programme Update)
Report to the Executive 16 January 2019 (Capital Programme Update)

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 2018-24. This report details the latest position on the Strategy, the governance process and progress on delivery.

1.2 The capital strategy provides the 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 new requirements in the CIPFA Prudential Code.

2 Strategic Context

2.1 Manchester is an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for 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.

2.2 To be internationally competitive the City Council has grasped the need to:

- deliver on meeting the need to reduce dependency and improve the productivity outcomes for residents;
- embrace the need to be a low carbon exemplar;
- 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.

2.3 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.

2.4 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.

2.5 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;
- 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.

2.6 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.

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

2.8 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.

2.9 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.

2.10 In parallel with and in advance of the work at a Greater Manchester level the City Council has advanced new policy directions in the areas of housing affordability, climate change, and green and blue infrastructure all of which will strongly influence our investment plans going forward.

The 2018/19 Capital Programme

2.11 The capital programme has progressed in line with the agreed approach to capital spend and delivery in 2018/19, and as part of the overall five year capital strategy.

2.12 The £100m Highways Investment Fund has continued to deliver improvement and preventative works across the network. Further major, standalone Highways projects have commenced including the Manchester / Salford Inner Relief Route, the continued delivery of the Street Lighting PFI and Chorlton Cycle Scheme to provide further improvements to Highways infrastructure.

2.13 The refurbishment of Moss Side Leisure Centre was completed in November 2018, and the contract to deliver Abraham Moss Leisure Centre has been awarded with a project completion date of 2022. Proposals for the Parks Development Programme, seeking to deliver investment in Heaton Park, Wythenshawe Park and City wide parks are currently being developed to commence within financial year 2019/20.

2.14 The management contractor for the Town Hall Refurbishment project has now been appointed, and the expenditure incurred this year has enabled early works to be delivered and ensure the programme is maintained. The management contractor will now commence the review and letting of work packages in line with the overall procurement strategy for the project.

2.15 Works have commenced on the Factory site with programme completion scheduled for 2021 as part of the MIF Festival taking place that year.

2.16 A series of projects to increase housing stock, including affordable housing, have been delivered or are currently in progress including the Brunswick PFI, North Manchester New Build phases 1 and 2 and Ben Street. Further commercial housing opportunities are currently under development as part of proposals for the Northern Gateway programme with approval of funding currently being sought from Homes England to support delivery of elements of the overall scheme.

2.17 Capital investment through Education Basic Need funding has delivered additional school places across the city in this financial year. For example, the Beaver Road expansion which opened in September 2018 doubled intake at the school to 1,050 pupils, with other expansions being delivered across a number of further sites to meet pupil demand.

2.18 The potential for the ICT service to have a continued significant operational impact within the Council, on service delivery and for residents is clear. ICT have worked with services and partners throughout the last year to aid in transforming processes, improve information flows and enhance the user experience when using the Council's ICT services.

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, ICT, asset management and the refurbishment of the Town Hall.

3.4 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.

4 Governance

4.1 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.

4.2 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.

4.3 The Council has revised the approval process for capital expenditure, and the new process strengthens the decision making criteria highlighted above. This strategy seeks to detail the framework in which those decisions are made, and the principles to which the Council adheres, in the context of the current capital budget. Work is continuing on improving and streamlining the process, including strengthening the links to the key decision process, and to support stronger decision making on funding sources, for example Section 106 contributions, to ensure that the use of such sources are maximised.

4.4 The capital expenditure and investment decision making process is the governance framework used by the Council when making decisions relating to the capital programme. The 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 diagrammatically at Appendix 1.

4.5 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.

4.6 The business cases must be agreed by the relevant directorate board, and approved by the Executive member for the relevant portfolio before being submitted into the process. Once submitted, the business cases are subject to peer review within the Council and then discussed by the Strategic Capital Board chaired by the City Treasurer. The Board will then make recommendations to members.

4.7 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 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 project development and development.

4.8 The governance process for approving capital investments is the same as that for the wider capital programme. As with any proposed capital expenditure, any investment 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 which mitigate the risks such investments would create for the Council. There may be occasion when the nature of a particular proposal requires additional support, for example in performing due diligence or in supporting the creation of the business case. In these circumstances the Council will seek external advice.

4.9 The capital programme is monitored monthly, with quarterly reports to Executive. Within that monitoring, new approved capital investment proposals will be included. Once an investment has been made, it will be reviewed regularly. As a minimum it will be reviewed annually as part of the accounts process, which will take into account any material changes to the standing of the investment.

4.10 The capital budget is reported to Executive and Council as part of the budget process each year, and quarterly monitoring reports are provided to Executive. New projects are reported to Executive in capital update reports, detailing the aims of the project, the source of the funding and the funding required.

5 Changes to the Capital Programme

5.1 All new capital proposals since 2017/18 have been assessed against the criteria above, highlighted at paragraph 4.5. The projects put forward within this report meet the criteria for inclusion around strategic fit, i.e. the contribution to support priorities around growth, reform and place.

5.2 There are some minor amendments to the capital programme, which have been assessed through the checkpoint process and are summarised below. A summary of the schemes, funding and profile of spend can be found at appendix 2:

- Sunbank Lane S278 – externally funded works to create a bus stop and associated works.
- Sharston Roundabouts SCOOT analysis – creation of design works to support the development of a dynamic traffic signal system for the roundabouts. Funded by Highways England.
- Loan finance for the Contact Theatre – to support the redevelopment of the theatre with a proposed 10 year loan.
- GM Archives Web Portal – to replace the existing internet access to the GM Archives, funded by an external contribution from the National Archives.
- Additional Disabled Facilities Grant – to reflect in the capital budget the additional £0.9m Disabled Facilities Grant awarded by the Government.
- Booth St Car Park – to replace the expired entry and payment operating system at the car park, on an invest to save basis.

5.3 The Council's revised capital budget for the 2018/19 and the next five years is set out below, including the new proposals discussed above. The proposed programme constitutes the expected capital activity required by the Council to support the achievement of the Council's strategies and to maintain the operational estate.

6 Anticipated Additional Projects Within the Forecast Period

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

6.2 The Capital Budget for 2018/19 and the following five years is set out below. It 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 2019/20

7.1 The capital programme 2019/20 to 2023/24 comprises the continuation of the existing programme. For continuing schemes the position is based on that as of the end of December 2018 as reported in the Capital Monitoring report also on the agenda. The narrative below also includes details of potential capital projects which will be included in the budget at a later date subject to the submission of a successful business case.

7.2 The budget for 2018/19 is £399.5m. In addition there are £95.8m relating to schemes hosted on behalf of the Greater Manchester combined Authority leading to a combined total of £495.3m. 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.

7.3 The programme is summarised in the table below.

	2018/19 budget	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**Total**	***Total 19/20-23/24***
	£m	£m	£m	£m	£m	£m	£m	*£m*
Manchester City Council Programme								
Highways	37.8	57.2	45.8	30.8			**171.6**	***133.8***
Neighbourhoods	11.7	25.5	13.1	8.8	5.7	2.5	**67.3**	***55.6***
Strategic Development	123.0	127.1	81.7	36.2	4.9		**372.9**	***249.9***
Town Hall Refurbishment	11.1	24.4	67.7	103.3	65.9	29	**301.4**	***290.3***
Housing – General Fund	27.8	24.7	30.5	8.7		7.5	**99.2**	***71.4***
Housing – HRA	16.1	30.1	48.7	36.6	4.9		**136.4**	***120.3***
Children's Services (Schools)	31.9	39.0	62.3	4.1			**137.3**	***105.4***
ICT	6.1	11.3	14.6	10.1	5.5		**47.6**	***41.5***
Adults, Children's and Corporate Services	134.0	19.8	16.6	5.4			**175.8**	***41.8***
MCC TOTAL	**399.5**	**359.1**	**381.0**	**244.0**	**86.9**	**39.0**	**1,509.5**	**1,110.0**
Projects carried out on behalf of Greater Manchester	95.8	146.5	38.0				**280.3**	***184.5***
TOTAL	**495.3**	**505.6**	**419.0**	**244.0**	**86.9**	**39.0**	**1,789.8**	**1,294.5**

7.4 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.

7.5 The proposals in this report are for the draft capital programme from 2019/20. The programme will be updated at the May meeting of the Executive to reflect the final outturn position for 2018/19. The programme will change as projects develop, and this will be reported to members as and when it is required. Current examples of some of the factors that will influence such changes include more detailed feasibility work on the timings of the major Highways schemes planned being conducted, the conclusion of the RIBS Stage 3 design for the Town Hall which will influence the project's cash flow, and the completion of work on the affordable housing programme which will then need to be reflected in the budget.

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 £133.8m between 2019/20 and 2023/24 and the primary schemes within the programme are detailed below.

8.2 The Highways Maintenance Investment Programme (£71.7m) 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 (£7.2m) 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 (£3.9m) 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 (£4.3m) aim to provide a high-quality network of dedicated cycle routes across Manchester, encouraging people to make short journeys in a healthy and inexpensive way and reduce the environmental impact of private car use.

8.6 The Manchester/Salford Inner Relief Road project (£5.7m) will continue, to address traffic congestion at the Dawson St/RegentRd/Trinity Way/Water St junction and five adjacent junctions, to improve capacity and enhance the performance of the wider relief road.

8.7 The project at Great Ancoats Street (£8.1m) 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.

8.8 Works at the Mancunian Way junction with Princess Road (£7.7m), funded through the Department for Transport's National Productivity Investment Fund, will continue, improving and continuing capacity by creating signalled junctions.

8.9 The Green Bridge project (£2.6m) will continue and will provide a critical public access route from Wythenshawe to the transport interchange at Airport City.

8.10 Investment in School Crossing Patrols (£2.3m) will progress, with a programme to provide permanent highways improvements to improve road safety outside schools and reduce risks at existing crossings. The programme of works will focus on those schools which have crossings which were rated red and amber.

8.11 The Public Realm programme (£2.2m) will support the maintenance and development of the Council's public realm assets.

8.12 The Street Lighting Private Finance Initiative (PFI) project (£13.7m) will deliver the procurement and installation of modern, state of the art, low energy light emitting diode (LED) street lighting technology. Once operational the scheme is planned to provide revenue savings due to reduced energy charges, and lower maintenance costs for the Council's street lighting.

Potential Future Investment

8.13 Highways Services anticipate that investment will be required around the Mayfield site, the Northern and Eastern Gateway sites (including the Etihad Campus) and the Airport City Enterprise Zone, as these are regeneration priorities for the Council. There may also be a need for infrastructure changes to support autonomous vehicles, 5G connectivity and utilities upgrades.

8.14 There are also potential funds from the GM Mayor's Fund for cycling and walking facilities, which the Council intends to bid for. If successful, this may require a further review of the delivery of the Highways programme to reduce disruption.

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 £55.6m between 2019/20 and 2023/24, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2018/19 budget	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Environment and Operations	1.3	7.4					**8.7**
Leisure	9.7	17.5	13.1	8.8	5.7	2.5	**57.3**
Libraries	0.7	0.6					**1.3**
Total Neighbourhoods	**11.7**	**25.5**	**13.1**	**8.8**	**5.7**	**2.5**	**67.3**

Environment and Operations

9.2 As part of the waste and street cleaning contract, a loan will continue to be available to the contractor to upgrade vehicles (£5.9m), including to make them clean air compliant, on a spend to save basis. The loan will be repaid through reduced service costs.

Leisure

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

9.4 Investment will continue Abraham Moss leisure centre (£13.9m). These works will reduce revenue costs associated with the upkeep of the building, and provide long-term savings to the Council.

9.5 The Manchester Football Hubs programme (£13.0m) is intended to provide football facilities including pitches, changing rooms and education suites at several sites across the City.

Potential Future Investment

9.6 Investment across the Council's estate will be required, specifically the sports facilities with regional and national status such as the Manchester Aquatic Centre and the National Cycle Centre. Work is being undertaken on an options appraisal for New Smithfield Market, to determine the likely cost.

9.7 Works across the parks estate, beyond the Parks Development Programme linked to the lifecycle replacement of park assets, may also be required - these items contribute to the successful delivery of the parks strategy and the Council will seek to maximise the use of external contributions to support this.

10 Strategic Development

10.1 Strategic Development also includes the programme for the Council's property assets, and investment in neighbourhood development and cultural facilities. . The programme is forecast to be £249.9m between 2019/20 and 2023/24, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2018/19 budget	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Culture	26.7	55.2	40.2	4.7			**126.8**
Corporate Property	49.2	50.7	29.8	15.6			**145.3**
Development	47.1	21.2	11.7	15.9	4.9		**100.8**
Total Strategic Development	**123.0**	**127.1**	**81.7**	**36.2**	**4.9**		**372.9**

Culture

10.2 The continuing Factory project (£100.2m) will create a cultural facility within the St John's area of the City Centre. The total budget for the Factory is c.£130m, including £78m of government funding, £7m of National Lottery funding and £5m from fundraising.

Corporate Property

10.3 The Asset Management Programme (£28.8m) will ensure that the Council's assets, including its elite assets, are well-maintained.

10.4 The Strategic Acquisitions budget (£10.3m) 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.

10.5 The continuing Carbon Reduction Programme (£9.8m) 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.

10.6 The Civic Quarter Heat Network (£19.5m) 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.

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

10.8 The continuing Estates Transformation plan (£12.5m), 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 (£14.0m) 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

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

10.10 Following the acquisition of Central Retail Park at Great Ancoats Street as part of the Eastern Gateway programme, there is a budget (£2.0m) for remediation works ahead of future development. The project to fund remedial works at New Islington Marina (£3.3m) will also continue, to rectify the issues with the public promenade, water run-off, boardwalks and other areas.

10.11 The Northern Gateway investment plan (£21.1m) 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.

10.12 The Medieval Quarter Public Realm (£1.5m) 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.

10.13 Further loan support for Manchester College (£10.0m) will continue, in addition to the c. £17.6m forecast to be provided in 2018/19, to enable the first phase of the College's expansion.

Potential Future Investment

10.14 Potential future investment within Strategic Development is likely to focus on the existing and new regeneration priorities for the Council. At this juncture there are no detailed proposals for additional investment proposals within the city centre, the Northern Gateway and the Eastern Gateway, although there is likely to be investment in Piccadilly Gardens. The February Executive will receive a report on the next phase of development at the Etihad Campus which may include a requirement for additional resources. Finally, work is underway to develop proposals for the transformation of Wythenshawe Town Centre which will take several months to develop, evaluate and consult upon.

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 £290.3m between 2019/20 and 2023/24 with planned spend currently £24.4m in 2019/20.

11.2 The amount of spend planned each year will be updated once the project reaches RIBA stage three design. Cost consultants are currently working on the cost planning, and to provide assurance on the costs. The management contractor has been appointed, and work can now begin on the delivery plan for the initial construction phases of the programme. Intrusive survey works are continuing, with mitigation measures being undertaken as and when required.

12 Housing – General Fund

12.1 The Housing Strategy includes a housing growth target of 32,000 new homes between April 2015 and March 2025 including 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 (RSL) partner resources and investment capacity in the HRA. Achieving this target is dependent on the government funding in these areas being available. A more detailed report on Affordable Housing will be going to Executive in the next few months.

12.2 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 £71.4m between 2019/20 and 2023/24 and the primary schemes within the programme are detailed below.

12.3 Funding remains set aside within the programme for commercial and residential acquisitions (£9.0m) which will support the existing Brunswick and Collyhurst schemes. Similarly funding is available for the acquisition of properties relating to regeneration in West Gorton (£1.4m), and for potential commitments from historical CPOs.

12.4 Major adaptations funding is available (£20.3m) to assist in works to make social rented properties suitable for disabled residents.

12.5 The West Gorton Regeneration Programme is currently being delivered. Further investment in residential development will be undertaken, and regeneration in the area (£3.5m) will focus on the provision of a new community park and a new nursery and community facility.

12.6 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).

12.7 The regeneration of the Ben Street area (£7.4m) of Ancoats and Clayton will continue to deliver new housing.

12.8 Funding is available, through the government's Marginal Viability Fund, to support the delivery of new homes on the New Victoria (£10.1m) site by addressing infrastructure works, and to create a healthcare centre at Bowes Street (£3.3m).

Potential Future Investment

12.9 A business plan to support the development of an Extra Care site at Russell Road is being prepared. A report to the March Executive will set out proposals for the delivery of affordable housing in the city.

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 £120.3m between 2019/20 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 (£78.3m). 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 (£24.1m), including proposals for new social housing new builds and land assembly linked to the Northern Gateway.

13.4 Work will continue on the North Manchester New Builds project Phase 2 (£11.2m) across a number of sites in North Manchester.

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

Potential Future Investment

13.6 Future investment proposals are likely to include a further phase of the North Manchester New Build programme, and the creation of an extra care development.

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 £105.4m between 2019/20 and 2023/24 and the primary schemes within the programme are detailed below.

14.2 There is potential budget provision for a new high school (£39.3m) at Matthews Lane to increase the number of secondary places in the central and eastern area of the City. Initial works have been completed on site and the project is currently paused pending both a review of the secondary places required in the context of the Council's Basic Need funded works and the Government's Free School programme. It will only progress if Government funding is forthcoming to cover the cost of the scheme and at this stage the budget will be included in the programme.

14.3 The Council will receive no Basic Need grant in 2019/20 or 2020/21. The existing unallocated grant is c. £49.3m, of which it is currently forecast c. £23.4m will be allocated to provide places for Special Educational Needs (SEN / Alternative Provision (AP) places across the City. The number of additional SEN/AP places required is being reviewed alongside the policy to integrate places into mainstream schools where possible. The remaining funding will be used to meet emerging place pressures.

14.4 Further to this, the Council has been awarded a separate grant (£3.0m) to invest in the provision of education places for children and young people with SEN and disabilities.

14.5 A Government grant-funded schools maintenance programme (£11.3m), 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.

Potential Future Investment

14.6 Discussions are ongoing with the DfE to identify a site for a Dean Trust/UK Fast secondary academy, which would create further secondary places within the city. Work is also being undertaken to develop the place planning strategy for 2020 onwards, which will include the impact of future residential development such as the Northern Gateway, the Government's free school programme, potential sites for school development or expansion, and population projections.

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 £41.5m between 2019/20 and 2023/24 and the primary schemes within the programme are detailed below.

15.2 The ICT Investment Plan (£41.5m) will continue. The programme of works will include measures aimed at replacing communication room technology, and the implementation of the data centre network.

15.3 Other works to be supported include the implementation of disaster recovery works, replacement of out-of-support systems for social work casework and for telephony, and the roll out of assistive technology to support the delivery of adult social care.

15.4 It is expected that some of this budget may need to be transferred to revenue, depending on the type of works 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 increases reports.

Potential Future Investment

15.5 It is anticipated that there will be investment in full fibre networks, and 5G networks and connectivity, which will improve connectivity across the Council's estate and with partners. However, the fast developing nature of technology means that further future investment needs may be identified.

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 £41.8m between 2019/20 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 (£21.4m). 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 project with Health Innovation Manchester (£14.3m), to conduct research on life science sub-sectors of health and medical technologies, will continue.

16.4 There is c. £5.6m available to fund the purchase of equity in car parking facilities at the Airport, which will support the development of the Airport and potentially provide a return to the City Council.

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. The programme is currently forecast to be £184.5m between 2019/20 and 2023/24 based on existing budget approvals.

17.2 The budget relates to the Housing Investment Fund which the City Council has hosted because the Combined Authority did not have the borrowing powers for economic regeneration that were required. Governance of the Fund and decisions regarding the Fund are made by the Combined Authority. For the City Council decisions to invest are key decisions but only by virtue of the Council hosting the fund.

17.3 Those borrowing powers have now been granted to the Combined Authority and work is underway to novate the Fund across to the Authority. Due to the complexity of some of the existing loan agreements, the Council will be asked by the Combined Authority to retain some of the investments and the Authority will fund the Council so there will be no cost to do so.

17.4 Once the novation has been completed the budget for projects held on behalf of Greater Manchester will be reduced significantly. This is expected to happen in the early part of the 2019/20 financial year.

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 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 the achievability of the forward plan.

19.10 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.

19.11 It is proposed that the City Council capital programme, excluding the projects carried out on behalf of Greater Manchester, for 2019/20 is funded as follows:

Fund	Housing Programmes		Other Programmes	**Total**
	HRA	Non-HRA		
	£m	£m	£m	**£m**
Borrowing		0.5	152.6	**153.1**
Capital Receipts		10.2	14.6	**24.8**
Contributions		2.5	24.8	**27.3**
Grant	0.3	10.7	105.3	**116.3**
Revenue Contribution to Capital Outlay	29.8	0.8	7.0	**37.6**
Grand Total	**30.1**	**24.7**	**309.3**	**359.1**

19.12 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.

19.13 Prudential borrowing of up to £617.6m over the five-year 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 2019-2024 is:

- 2019/20 - £153.1m
- 2020/21 - £179.7m
- 2021/22 - £174.5m
- 2022/23 - £79.6m
- 2023/24 - £30.7m

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 £617.6m of prudential borrowing which includes:

Scheme	**£m**
Highways Investment Plan	59.6
Bridge maintenance	7.2
Hyde Road (A57) Pinch Point Widening	0.8
Velocity	0.6
Congestion Target Performance	0.2
Mancunian Way and Princess Parkway NPIF	3.2
Princess Rd Safety Review	0.5
School Crossing Patrols	1.8
Public Realm	0.4
Street Lighting PFI	13.7
M56 works	0.2
Bus Priority schemes	0.3
Waste Contract	5.9
Parks Investment Programme	12.5
Indoor Leisure Provision at Moss Side and Abraham Moss	13.9
FA Hubs	4.2
Libraries investment	0.5
The Factory	1.6
Strategic Acquisitions	1.4
Hammerstone Road	14.0
Carbon Reduction	9.8
Civic Quarter Heat Network	19.5
Lincoln Square	1.2
Estates Transformation	12.5
Sharp Project	0.6
One Central Park	0.6
Sustaining Key Initiatives	13.6
Eastern Gateway	5.3
Northern Gateway	21.1
St. Peter's Square	0.4
Manchester College	10.0
Refurbishment of the Town Hall and Albert Square	290.3

Scheme	£m
Regeneration of Ben St	7.4
ICT Investment Plan	41.5
Gorton integrated health development;	21.4
BioMedical Investment	14.3
Manchester Airport Car Park investment	5.6

19.14 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.

19.15 Further "spend to save" investment opportunities may arise and delegated authority is given to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The 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.

19.16 The proposed funding for the programme across the forecast period is shown below:

	2018/19 budget £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	Total £m
Grant	70.7	116.3	84.0	19.5	2.4	0.8	**293.7**
External Contribution	17.4	27.3	20.0	3.7			**68.4**
Capital Receipts	24.7	24.8	45.6	11.5		7.5	**114.1**
Revenue Contribution to Capital Outlay	26.8	37.6	51.7	34.8	4.9		**155.8**
Borrowing	259.9	153.1	179.7	174.5	79.6	30.7	**877.5**
Total	**399.5**	**359.1**	**381.0**	**244.0**	**86.9**	**39.0**	**1,509.5**

19.17 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.

19.18 Work will continue to confirm the position for the capital programme from 2018/19 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 2018/19. 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 31st March 2018:

	Value as at 31/3/18 £m
Long-term Debtors	205.6
Long-term Investments	142.4
Investment Property	415.0
Total	**763.0**

20.7 The long-term debtors represent loan finance provided by the Council to other parties, and include the loans to Manchester Airport (£83.2m), Public Finance Initiative prepayments (£23.3m), and Housing Investment Fund loans (£39.6m) which are held on behalf of Greater Manchester. These figures include the short-term element of the debtor. These loans are regularly reviewed, and would be impaired if there was a risk of default. Some of the loans, such as the Housing Investment Fund investments 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 (£4.8m). These 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 Strategic Investment and Car Parks - financial support to the Airport to develop the business;
- Manchester College Loan - loan to support College's expansion;
- Band on the Wall Loan - loan to support the development of the venue;
- 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 ll proposed investments are scrutinised through the Council's Capital Approval Process and where appropriate reported to Executive for approval. 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 2018/19 it is forecast that c. £53.3m 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 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:

£'m	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Opening CFR	1,237.1	1,488.5	1,630.0	1,776.3	1,911.1	1,947.1
Borrowing	259.9	153.2	179.7	174.5	79.6	30.7
Additional long	12.4	16.4	1.1	0.8	0.9	0.8

term liabilities						
MRP	-20.9	-28.1	-34.5	-40.5	-44.5	-48.9
Closing CFR	**1,488.5**	**1,630.0**	**1,776.3**	**1,911.1**	**1,947.1**	**1,929.7**

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 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 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 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 Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

24.2 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

24.3 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

(PMO Lead)

Ongoing during delivery, showing progress against targets

Reports to:

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

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

Amendments introduced to the capital budget 6 February 2019					
Department	**Scheme**	**Funding**	**2018/19**	**2019/20**	**Total**
			£'000	**£'000**	**£'000**
Highways	Sunbank Lane	External Contribution	21	30	51
Highways	Sharston Roundabouts SCOOT	External Contribution	34	6	40
Neighbourhoods	Contact Theatre loan	Borrowing	200		200
Neighbourhoods	Booth St Car Park	External Contribution	16		16
Neighbourhoods	Booth St Car Park	Borrowing	132		132
Neighbourhoods	GM Archives web portal	External Contribution	10	118	128
Private Sector Housing	Disabled Facilities Grant	Grant	878		878
Total Budget Increase Requests			**1,291**	**154**	**1,445**

Please note that the additional budgets for 2017/18 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

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Appendix 3 – the proposed Capital Programme Budget

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Highway Programme						
Highways Planned Maintenance Programme						
Planned Highways Maintenance Programme	221	432	75	0	0	0
Drainage	344	970	1,312	0	0	0
Large Patching repairs	2,000	1,088	1,281	1,313	0	0
Carriageway Resurfacing	5,400	5,287	7,190	7,535	0	0
Footway schemes	1,498	2,200	2,893	2,957	0	0
Carriageway Preventative	4,500	4,139	8,282	9,044	0	0
Bridge Maintenance	0	1,200	2,982	3,018	0	0
Other Improvement works	86	1,983	4,769	4,833	0	0
Project Delivery Procurement	0	757	1,681	1,703	0	0
Highways Stand Alone Projects Programme						
Ardwick Grove Village Parking	0	0	20	0	0	0
Didsbury Village Tram Stop Traffic Mitigation	0	0	18	0	0	0
Section 106 Highways work around Metrolink	0	0	47	0	0	0
Barlow Moor Road	0	27	0	0	0	0
Etihad Expansion - Public Realm	0	59	0	0	0	0
Velocity	155	567	0	0	0	0
Cycle City Phase 2	230	4,291	0	0	0	0
Safe Routes to Loreto High School	28	22	0	0	0	0
Safe Routes to Schools	22	58	0	0	0	0
Congestion Target Performance	20	215	0	0	0	0
Piccadilly Undercroft Gating	1	7	0	0	0	0

Project Name	**2018/19 Proposed Budget**	**2019/20 Proposed Budget**	**2020/21 Proposed Budget**	**2021/22 Proposed Budget**	**2022/23 Proposed Budget**	**2023/24 Proposed Budget**
	£'000's					
20mph Zones (Phase 3)	20	80	370	0	0	0
ITB Minor Works	10	93	0	0	0	0
Flood Risk Management - Hidden Watercourses	0	49	0	0	0	0
Flood Risk Management - Higher Blackley Flood Risk	0	41	0	0	0	0
Hyde Road (A57) Pinch Point Widening	106	1,766	2,123	0	0	0
Manchester/Salford Inner Relief Road (MSIRR)	6,032	5,553	100	0	0	0
Great Ancoats Improvement Scheme	453	3,065	5,015	0	0	0
Mancunian Way and Princess Parkway NPIF	438	4,479	3,197	0	0	0
Cycle Parking	19	10	0	0	0	0
Shadowmoss Rd / Mossnook Rd	10	16	0	0	0	0
Birley Fields Campus improvements	0	0	34	0	0	0
GMCRP Multi Sites	13	0	0	0	0	0
Princess Rd Safety Review	100	477	0	0	0	0
School Crossings	286	1,403	924	0	0	0
Kingsway Speed Cameras	13	11	0	0	0	0
Green Bridge at Airport City	425	1,341	1,216	0	0	0
Public Realm	833	1,426	400	400	0	0
Street Lighting PFI	11,050	12,000	1,731	0	0	0
Didsbury West S106	53	10	0	0	0	0
S106 Whalley Grove	50	25	0	0	0	0
A56 Liverpool Road	10	70	0	0	0	0
A56 Chester Road	16	35	0	0	0	0
M56	0	148	0	0	0	0
Pay and Display Machines	0	924	0	0	0	0

Project Name	**2018/19 Proposed Budget**	**2019/20 Propose d Budget**	**2020/21 Proposed Budget**	**2021/22 Proposed Budget**	**2022/23 Proposed Budget**	**2023/24 Proposed Budget**
	£'000's					
North Manchester Hospital Residents Parking	0	9	0	0	0	0
Parking Schemes	0	558	120	0	0	0
Sunbank Lane S278	21	30	0	0	0	0
Sharston Roundabout SCOOT	34	6	0	0	0	0
SEMMMS PROGRAMME						
Ringway Road Highway Imp Scheme	0	0	0	0	0	0
Local Roads (temp SEMMMS A6 Stockport)	2,962	0	0	0	0	0
SEMMMs A6 to Manchester Airport	78	0	0	0	0	0
Bus Priority Package Programme						
Bus Priority Package - Oxford Road	215	137	0	0	0	0
Bus Priority Package - Princess Street/Brook Street	50	103	0	0	0	0
Total Highways Programme	**37,802**	**57,167**	**45,780**	**30,803**	**0**	**0**
Environment Programme						
Waste Reduction Measures	320	1,471	0	0	0	0
Waste Contract	523	5,910	0	0	0	0
Blackley Crematorium Heat Exchanger	107	0	0	0	0	0
Christmas Market Electrical Equipment	137	0	0	0	0	0
Smart Litter Bins	258	0	0	0	0	0
Leisure Services Programme						
Parks Programme						
Hollyhedge Park Drainage IMPS	9	0	0	0	0	0
Heaton Park Pay & Display	464	0	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
PIP - Park Events Infrastructure	274	52	0	0	0	0
PIP - Unallocated	97	2,566	4,045	5,699	5,699	2,462
Smedley Lane Playing Fields S106	19	0	0	0	0	0
Somme 100 Year Memorial	130	0	0	0	0	0
Painswick Park Improvement	30	0	0	0	0	0
Heaton Park Southern Play Area	360	120	0	0	0	0
Didsbury Park Play Area S106	50	0	0	0	0	0
Wythenshawe Park Sport Facilities S106	152	0	0	0	0	0
Northenden Riverside Park	50	25	0	0	0	0
Age Friendly Benches	18	0	0	0	0	0
King George V Park	93	0	0	0	0	0
Leisure & Sports Facilities						
Arcadia (Levenshulme) Leisure Centre	10	0	0	0	0	0
National Taekwondo Centre	7	0	0	0	0	0
Indoor Leisure - Abraham Moss	675	1,709	9,076	3,107	0	0
Indoor Leisure - Moss Side	5,597	25	0	0	0	0
FA Hubs	0	13,000	0	0	0	0
Boggart Hole Clough - Visitors Centre	535	0	0	0	0	0
Mount Road S106	12	0	0	0	0	0
Event Seating Basketball	18	0	0	0	0	0
Velodrome Track	713	0	0	0	0	0
Contact Theatre loan	200	0	0	0	0	0
MAC - Booth St Car Park	148	0	0	0	0	0
Libraries and Info Services Programme						

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Relocation of Manchester Visitor Info Centre (MVIC)	5	54	0	0	0	0
GM Archives Web Portal	10	118	0	0	0	0
Central Library Wolfson Award	37	0	0	0	0	0
Library Refresh	4	0	0	0	0	0
Roll Out of Central Library ICT	220	0	0	0	0	0
Refresh of Radio Frequency Identifier Equipment	12	0	0	0	0	0
Newton Heath Library	168	0	0	0	0	0
Withington Library Refurbishment	200	0	0	0	0	0
Open Libraries	42	450	0	0	0	0
Total Neighbourhoods Programme	**11,704**	**25,500**	**13,121**	**8,806**	**5,699**	**2,462**
Cultural Programme						
First Street Cultural Facility	12	0	0	0	0	0
The Factory (Build)	24,365	55,253	38,078	4,725	0	0
The Factory (Public Realm)	2,344	0	2,106	0	0	0
Corporate Estates Programme						
Asset Management Programme	9,026	11,840	9,551	7,385	0	0
Strategic Acquisitions Programme	8,731	4,331	3,000	3,000	0	0
Town Hall Complex Transformation Programme	67	0	0	0	0	0
Hammerstone Road Depot	932	7,083	6,940	7	0	0
Heron House	14,380	0	0	0	0	0
Registrars	1,400	0	0	0	0	0
Carbon Reduction Programme	100	8,500	1,290	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Civic Quarter Heat Network	6,500	11,500	4,000	4,000	0	0
Lincoln Square	0	0	1,200	0	0	0
Brazennose House	678	0	0	0	0	0
Estates Transformation	0	215	0	585	0	0
Estates Transformation - Hulme District Office	4,680	234	0	0	0	0
Estates Transformation - Alexandra House	559	6,961	3,848	632	0	0
The Gallery Café	0	0	0	0	0	0
Ross Place Refurbishment	2,120	0	0	0	0	0
Development Programme						
Development Programme - East Manchester						
The Space Project - Phase 2	1,085	0	0	0	0	0
The Sharp Project	0	600	0	0	0	0
Digital Asset Base - One Central Park	9,443	620	0	0	0	0
Sustaining Key Initiatives	0	0	5,000	8,600	0	0
New Smithfield Market	32	468	0	0	0	0
Beswick Community Hub - Highway and Public Realm	2	0	0	0	0	0
Eastern Gateway - Central Retail Park	1,312	2,000	0	0	0	0
Eastern Gateway - New Islington Marina	1,800	3,332	0	0	0	0
Hall and Rogers	346	0	0	0	0	0
Development Programme - North Manchester						
Collyhurst Police Station liabilities	844	0	0	0	0	0
Northern Gateway	3,875	2,300	6,675	7,275	4,875	0
Development Programme - City Centre						
Hulme Hall Rd Lighting	39	0	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
ST Peters Square	602	400	0	0	0	0
Medieval Quarter Public Realm	488	1,500	0	0	0	0
City Labs 2	3,675	0	0	0	0	0
Manchester College	17,600	10,000	0	0	0	0
Development Programme - Enterprise Zone						
Airport City Power Infrastructure (EZ)	2,440	0	0	0	0	0
Development Programme - Stand Alone Projects						
Digital Business Incubators	3,500	0	0	0	0	0
Total Strategic Development Programme	**122,977**	**127,137**	**81,688**	**36,209**	**4,875**	**0**
Town Hall Refurbishment Programme						
Our Town Hall refurbishment	11,060	24,386	67,743	103,251	65,914	29,039
Total Town Hall Refurbishment Programme	**11,060**	**24,386**	**67,743**	**103,251**	**65,914**	**29,039**
Private Sector Housing Programme						
Brunswick PFI (PSH)						
Brunswick PFI Land Assembly	2,460	1,726	737	0	0	0
Collyhurst (PSH)						
Collyhurst Regeneration	10	173	3,700	0	0	0
Collyhurst Environmentals	65	62	0	0	0	0
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)	0	0	505	565	0	0
Collyhurst Land Assembly Ph1	20	63	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Collyhurst Land Acquisitions Ph2	0	210	799	0	0	0
Eccleshall Street - 3 Sites	0	500		0	0	0
Housing Investment Model		0				
Site Investigation and Early Works HIF Pilot Sites	286	141	155	0	0	0
Miles Platting PFI (PSH)						
Miles Platting PFI Land Assembly	255	632	0	0	0	0
Private Housing Asist Citywide Programme						
Disabled Facilities Grant	8,062	7,929	6,200	6,200	0	0
Toxteth St CPO & environmental works	73	141	0	0	0	0
Bell Crescent CPO	0	482	0	0	0	0
Private Sect Housing Standalone Projects						
HCA Empty Homes Cluster Phase 2	90	801	891	0	0	0
Empty Homes Scheme (s22 properties)	0	2,000	0	0	0	0
Redrow Development Programme						
Redrow Development Phase 2 onward	300	0	0	0	0	0
West Gorton (PSH)						
West Gorton Compensation	0	4	0	0	0	0
West Gorton Ph 2A Demolition & Commercial Acquisitions	10	490	904	0	0	0
Armitage Nursery & Community Facility	1,215	2,160	0	0	0	0
Private Sector Housing - Stand Alone Projects						
HMRF	56	50	40	0	0	0
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)	5	0	661	0	0	0
Extra Care	3,555	2,445	0	0	0	0
Moston Lane Acquisitions	0	0	0	0	0	7,500

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Equity Loans	0	0	397	0	0	0
West Gorton Community Park	514	1,336	0	0	0	0
Ben St. Regeneration	5,574	556	6,877	0	0	0
Homelessness	5,000	0	0	0	0	0
Marginal Viability Fund - New Victoria	0	1,827	6,263	1,984	0	0
Marginal Viability Fund - Bowes Street	0	929	2,385	0	0	0
Rent to Purchase	203	0	0	0	0	0
Total Private Sector Housing Programme	**27,753**	**24,657**	**30,514**	**8,749**	**0**	**7,500**
Public Sector Housing						
Northwards - External Work						
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	0	8,000	7,190	0	0	0
External cyclical works phase 3a	10	0	22	0	0	0
Collyhurst Environmental programme	312	0	0	0	0	0
Ancoats Anita St and George Leigh external cyclical works ph 3b	28	0	0	0	0	0
Harpurhey Lathbury & 200 Estates external cyclical works ph 3b	-25	0	38	0	0	0
Environmental works	113	0	0	0	0	0
Harpurhey Shiredale Estate externals	0	0	15	0	0	0
Moston Miners Low Rise externals	16	0	4	0	0	0
Newton Heath Limeston Drive externals	0	0	6	0	0	0
Renewal of 4 automatic pedestrian gates at Victoria Square	0	45	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
External cyclical works ph 3b Harpurhey - Jolly Miller Estate ph 3b	54	0	32	0	0	0
External cyclical works ph 3b Moston Estates (Chauncy/Edith Cliff/Kenyon/Thorveton Sq)	7	0	2	0	0	0
External cyclical works ph 3b Ancoats Smithfields estate	262	10	0	0	0	0
External cyclical works ph 4b Charlestown Chain Bar low rise	178	0	36	0	0	0
External cyclical works ph 4b Charlestown Chain Bar Hillingdon Drive maisonettes	1	0	4	0	0	0
External cyclical works ph 4b Crumpsall Blackley Village	131	0	0	0	0	0
External cyclical works ph 4b Higher Blackley South	281	0	31	0	0	0
External cyclical works ph 4b Newton Heath Assheton estate	93	0	16	0	0	0
External cyclical works Ph 4b Newton Heath Troydale Estate	792	0	74	0	0	0
External cyclical works Ph 5 New Moston (excl corrolites)	66	0	31	0	0	0
Environmental improvements Moston corrolites	267	0	0	0	0	0
Charlestown - Victoria Ave multistorey replacement door entry systems	0	0	18	0	0	0
ENW distribution network phase 4 (various)	0	219	0	0	0	0
Dam Head - Walk up flates communal door renewal	212	172	0	0	0	0
Delivery Costs	955	909	827	0	0	0
Northwards - Internal Work						
2/4 Blocks Heating replacement with Individual Boilers	24	0	122	0	0	0
Lift replacement / refurbishment programme	75	0	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Fire precaution works - installation of fire seal box to electric cupboards on communal corridors in retirement blocks	6	0	0	0	0	0
Decent Homes mop ups ph 9 and decent homes work required to voids	212	0	0	0	0	0
One offs such as rewires, boilers, doors, insulation	377	0	0	0	0	0
Whitemoss Road and Cheetham Hill Road Local Offices - Improvements	202	0	0	0	0	0
Ancoats - Victoria Square lift replacement	0	265	0	0	0	0
Aldbourne Court/George Halstead Court/Duncan Edwards Court works	274	81	0	0	0	0
Boiler replacement programme	786	25	261	0	0	0
Kitchen and Bathrooms programme	0	1,788	94	0	0	0
Harpurhey - Monsall Multis Internal Works	0	2,385	85	0	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	0	2,471	108	0	0	0
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	0	2,791	106	0	0	0
Decent Homes mop ups phase 10 and voids	583	500	219	0	0	0
One off work - rewires, boilers, doors	100	200	0	0	0	0
Fire precautions multi storey blocks	0	1,078	1,000	0	0	0
Installations of sprinkler systems - multi storey blocks	0	2,380	221	0	0	0
Replacement of Prepayment Meters in High Rise Blocks	0	0	20	0	0	0
Delivery Costs	1,352	1,502	246	0	0	0
Northwards - Off Debits/Conversions						
Bringing Studio Apartments back in use	40	0	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Delivery Costs	13	0	0	0	0	0
Homeless Accommodation						
Improvements to Homeless accommodation city wide	54	0	201	0	0	0
Plymouth Grove Women's Direct Access Centre	22	0	0	0	0	0
Improvements to Homeless Accommodation Phase 2	280	723	210	0	0	0
Delivery Costs	136	78	45	0	0	0
Northwards - Acquisitions						
Northwards Acquisitions	134	0	0	0	0	0
Stock Acquisitions	32	0	0	0	0	0
Delivery Costs	29	0	0	0	0	0
Northwards - Adaptations						
Adaptations	1,000	720	0	0	0	0
Northwards - Unallocated						
Northwards Housing Programme unallocated	0	1,033	17,697	21,988	0	0
Retained Housing Programme						
Collyhurst Maisonette Compensation & Dem	0	89	0	0	935	0
West Gorton Regeneration Programme						
West Gorton PH2A Low & High Rise Demolition	10	16	0	0	0	0
Future Years Housing Programme						
Collyhurst Estate Regeneration	0	700	8,695	10,235	1,841	0
Collyhurst Regen - Highways Phase 1	-97	0	190	97	1,394	0
Collyhurst Regen - Churnett Street	0	0	0	0	790	0
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	3	0	124	0	0	0
Willert Street Park Improvements	36	0	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
North Manchester New Builds	6,358	163	0	0	0	0
North Manchester New Builds 2	75	500	10,700	0	0	0
North Manchester New Builds 3	250	0	0	0	0	0
Parkhill Land Assembly	0	0	0	4,270	0	0
Fire precautions multi storey blocks	0	1,200	0	0	0	0
Brunswick PFI HRA	30	0	0	0	0	0
Total Public Sector Housing (HRA) Programme	**16,149**	**30,043**	**48,690**	**36,590**	**4,960**	**0**
Children's Services Programme						
Basic Need Programme						
Cheetham Academy	-14	0	0	0	0	0
Briscoe Lane Academy	127	0	0	0	0	0
Stanley Grove - contribution to PFI	13	0	0	0	0	0
Dean Trust Ardwick	15	0	0	0	0	0
Ardwick PRU	40	0	0	0	0	0
ULT William Hulme	47	0	0	0	0	0
Lytham Rd	0	200	0	0	0	0
Manchester Health Academy expansion	3,242	0	0	0	0	0
Co-op Academy expansion	3,741	0	0	0	0	0
St Margaret's C of E	54	0	0	0	0	0
St Matthews RC	20	0	0	0	0	0
Plymouth Grove Refurbishment	4,574	427	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Beaver Rd Primary Expansion	4,547	115	0	0	0	0
Lily Lane Primary	3,331	136	0	0	0	0
St. James Primary Academy	2,848	112	0	0	0	0
Crossacres Primary School	1,902	111	0	0	0	0
Ringway Primary School	1,337	60	0	0	0	0
Webster Primary Schools	1,859	111	0	0	0	0
St. Chrysostom's	160	0	0	0	0	0
Camberwell Park Specialist School	65	0	0	0	0	0
Piper Hill Special School	224	0	0	0	0	0
SEND Programme	101	8,264	15,150	0	0	0
Basic need - unallocated funds	235	20,032	44,007	1,138	0	0
Universal Infant Free School Meals (UIFSM) - Unallocated	335	0	0	0	0	0
Schools Maintenance Programme						
Abraham Moss - Hall Heating	-4	0	0	0	0	0
Chorlton CofE Primary Rewire	16	0	0	0	0	0
Moston Lane Primary	8	0	0	0	0	0
Wilbraham Primary Roof	59	0	0	0	0	0
Abbott Primary School Fencing	94	0	0	0	0	0
Crowcroft Park PS-Rewire	531	0	0	0	0	0
Pike Fold Community Primary - Ground Stabilisation - Survey artificial play area	17	0	0	0	0	0
Charlestown Primary Defects	31	0	0	0	0	0
All Saints PS	-1	0	0	0	0	0
Collyhurst Nursery School	2	0	0	0	0	0
Armitage CE Primary	135	0	0	0	0	0

Project Name	**2018/19 Proposed Budget**	**2019/20 Propose d Budget**	**2020/21 Proposed Budget**	**2021/22 Proposed Budget**	**2022/23 Proposed Budget**	**2023/24 Proposed Budget**
	£'000's					
Higher Openshaw Comm School - Renew Boiler	101	0	0	0	0	0
Crowcroft Park PS - Roof Repairs	53	0	0	0	0	0
Northenden Primary School - Part Reroof	42	0	0	0	0	0
Abbot Community Primary - Ext Joinery Repair	248	0	0	0	0	0
St Mary's PS - Joinery Repairs	98	0	0	0	0	0
Sandilands PS - Joinery Repairs	181	0	0	0	0	0
Lancasterian ID Secure Lobby	38	0	0	0	0	0
Cheetwood PS - Rewire	499	0	0	0	0	0
Pike Fold Community Sch - Repairs to air handling units	53	0	0	0	0	0
Button Lane PS - Boiler Installation	60	0	0	0	0	0
Schools Capital Maintenance -unallocated	0	5,338	3,000	3,000	0	0
Education Standalone Projects						
Paintpots	31	0	0	0	0	0
Community Minded Ltd	28	0	0	0	0	0
Tiny Tigers Ltd-Cheetham Children Centre	79	0	0	0	0	0
Early Education for Two Year Olds - Unallocated	57	0	0	0	0	0
Gorton Youth Zone	538	962	0	0	0	0
Greenheys Toilets	67	0	0	0	0	0
Healthy Pupil Capital Funding	0	263	0	0	0	0
Special Educational Needs grant	38	2,871	164	0	0	0
Total Children's Services Programme	**31,902**	**39,002**	**62,321**	**4,138**	**0**	**0**
ICT Capital Programme						

Project Name	2018/19 Proposed Budget	2019/20 Propose d Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
ICT						
Solaris	11	0	0	0	0	0
ICT Infrastructure & Mobile Working Programme						
Citrix 7.6 Migration	3	0	0	0	0	0
Mobile Device Refresh	52	0	0	0	0	0
PSN Windows 2003	88	26	0	0	0	0
Data Centre UPS Installation	0	10	0	0	0	0
Core Switch Firmware	28	0	0	0	0	0
New Social Care System	2,039	509	0	0	0	0
End User Computing	796	90	0	0	0	0
Core Infrastructure Refresh	533	0	0	0	0	0
Income Management	1	0	0	0	0	0
Customer & Bus. Relationship Management System	1	0	0	0	0	0
Corporate Reporting Tool (Business Objects)	14	0	0	0	0	0
Internet Resilience	104	50	0	0	0	0
New Rent Collection System	70	14	0	0	0	0
Communications Room Replacement Phase 2	100	500	3,929	500	0	0
Care Leavers Service	91	0	0	0	0	0
Microsoft Enterprise Agreement Licensing renewal	227	0	0	0	0	0
Data Centre Network Design and Implementation	1,949	1,289	0	0	0	0
ICT Investment Plan	0	8,836	10,673	9,600	5,482	0
Infrastructure						
Wider Area Network Redesign	26	0	0	0	0	0

Project Name	2018/19 Proposed Budget	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget
	£'000's					
Total ICT Programme	**6,133**	**11,324**	**14,602**	**10,100**	**5,482**	**0**
Corporate Capital Programme						
ONE System Developments	23	25	0	0	0	0
Phase 1 Implementation - Locality Plan Programme Office	602	272	0	0	0	0
Integrated Working - Gorton Health Hub	1,400	10,150	8,627	2,619	0	0
Airport Strategic Investment	125,000	0	0	0	0	0
BioMedical Investment	7,000	5,500	6,100	2,700	0	0
Band on the Wall	0	200	0	0	0	0
Manchester Airport Car Park Investment	0	3,700	1,900	0	0	0
Total Corporate Capital Programme	**134,025**	**19,847**	**16,627**	**5,319**	**0**	**0**
Total Manchester City Council Capital Programme	**399,505**	**359,063**	**381,086**	**243,965**	**86,930**	**39,001**
Projects carried out on behalf of Greater Manchester						
Housing Investment Fund	95,805	146,522	37,951	0	0	0
Total GM projects	**95,805**	**146,522**	**37,951**	**0**	**0**	**0**
Total CAPITAL PROGRAMME	**495,310**	**505,585**	**419,037**	**243,965**	**86,930**	**39,001**

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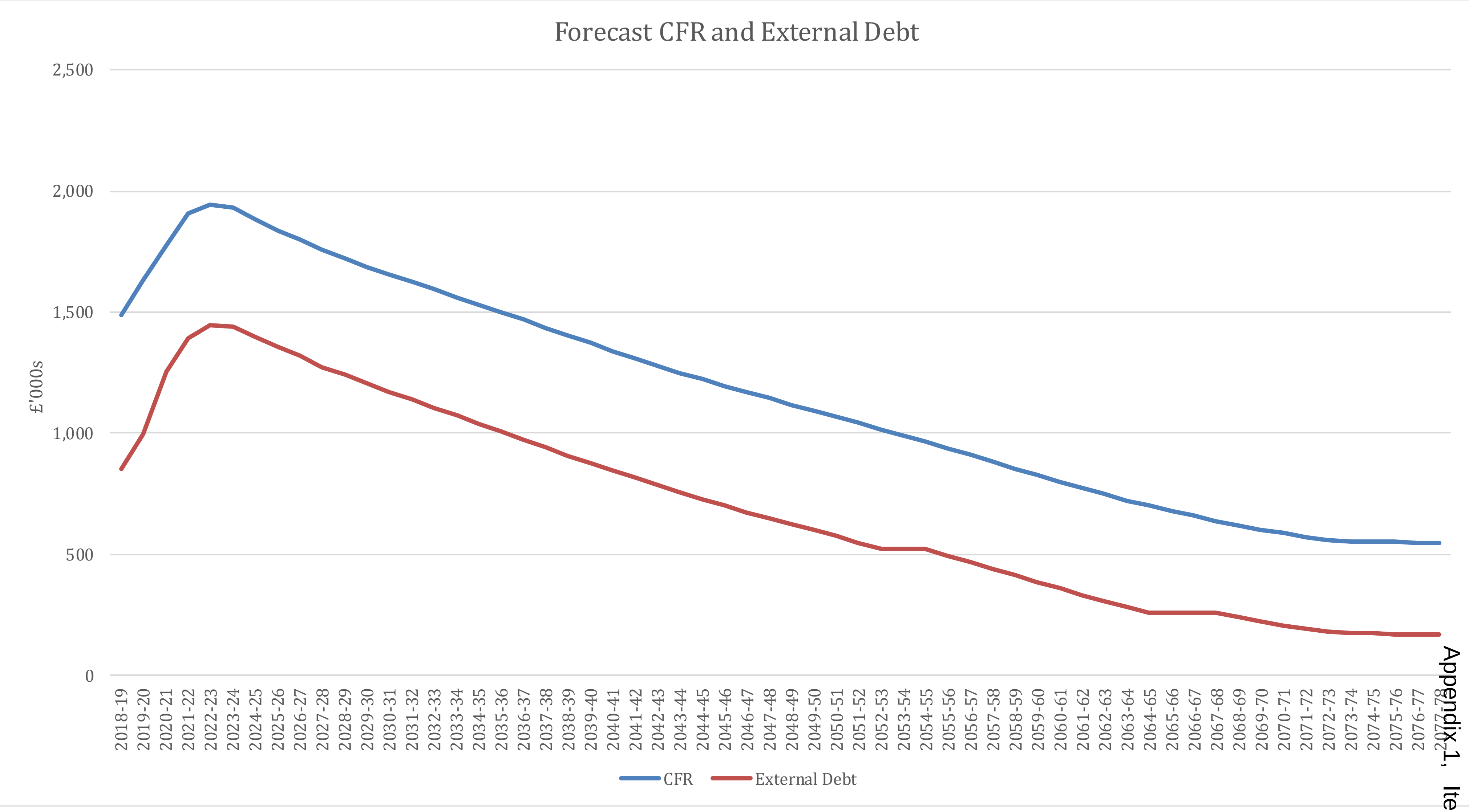
Appendix 4 – Capital Financing Requirement and Forecast External Debt



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Manchester City Council
Report for Resolution

Report to: Executive - 13th February 2019
Resources and Governance Scrutiny Committee - 7 February 2019

Subject: Corporate Core Business Plan: 2019/20

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

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Summary

This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20. In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.

The draft business plan which was considered by the committee in December 2018 has been reviewed and updated taking account of comments received from the committee and the outcome of the local government finance settlement. Sections on the impact of proposed changes on residents, communities, customers and the workforce have been added in addition to a summary of the technological support to deliver change. A full suite of delivery plans can also be found as an appendix including the Finance, Performance, Workforce and Equality Plans and the Risk Register.

Taken together, the directorate business plans show how the directorates will work together, and with partners to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Executive is invited to review and comment on this directorate Business Plan.

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
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 in preparation for the draft revenue budget submitted to the Executive on 13 February 2019.

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Background documents (available for public inspection):

Corporate Core Budget and Business Plan: 2017/18 -2019/20 - Executive – 8 February 2017
Corporate Core Budget and Business Planning: 2018-2020 - Executive – 7 February 2018

1. The Directorate Business Plan

1.1. The Directorate Business Plan is set out from section two below and includes:

- A description of the contribution that the directorate makes to delivery of our Corporate Plan priorities
- The directorate's vision and objectives
- A self-assessment of the directorate's key challenges for 2019/20
- The revenue strategy
- The capital strategy/programme
- Impact on Residents Communities and Customers
- Impact on the Workforce
- Technological Support
- An appendix containing the directorate's delivery plans (Finance Plan, Performance Plan, Workforce Plan, Equality Plan, and the Strategic Risk Assessment and Register)

2. Delivering Our Plan

2.1. The Corporate Core directorate plays a key role in supporting the delivery of the Our Manchester Strategy, and all fifteen 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 deliver our priorities.

2.2. The Core has a leadership and direct delivery role in delivering our Corporate Plan's **'well managed council'** priority theme. The Core delivers key universal services and works with the wider organisation to:

- **Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours**, and
- **Balance our budget, including delivering savings, transforming services, reducing demand through reform, and generating income**

2.3. The Core also has a key role in ensuring that the organisation delivers its statutory duties within the legal framework to very high standards, and monitors delivery of the Our Manchester Strategy and The City Council's Corporate Plan.

2.4. The Core supports 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.

2.5. The Core also has a leadership role through its work to influence outside of the organisation to:

- **Reduce greenhouse gas emissions and improve air quality**
- **Improve public transport and highways and make them more sustainable**

3. Vision and Objectives

Corporate Core vision

3.1. The Corporate Core will play its part in delivering our Corporate Plan priorities and the Our Manchester Strategy through the delivery of direct and universal services and through providing effective and enabling support and leadership to the organisation.

Corporate Core objectives

3.2. The Corporate Core's objectives for 2019/20 are broadly reflective of the objectives as described in the 2018/19 plan but have been updated to reflect:

- Our Corporate Plan priorities
- Changes to the composition of the directorate - the Highways service is now part of the Neighbourhoods directorate
- Changes to the senior management structure within the Corporate Core
- Emerging work to transform the Corporate Core

3.3. The Corporate Core is composed of a number of services - described below as per the amended senior structure:

- Corporate services - Financial Management, ICT, Revenues and Benefits, Audit and Risk Management, Procurement and Integrated Commissioning, Shared Service Centre, Customer Services, Commercial Governance and Capital Programmes.
- Human Resources and Organisational Development (HROD)
- Policy, Performance and Reform - Policy, Partnerships and Research, Performance, Research and Intelligence and Reform and Innovation
- City Solicitor's - Legal Services and Statutory and Democratic Services, Strategic Communications

3.4. Further detail on each service's budget is described at section 5 (Revenue Strategy).

3.5. The high level objectives for the Corporate Core are described below and are aligned to delivery of our Corporate Plan priorities:

3.6. ***Provide high quality direct and universal services to residents***

The Corporate Core will deliver this objective through:

- Delivery of customer services including front door services for adults and children's social care
- Collection of the council's main revenue streams - council tax and business rates
- Administration of benefits
- Effectively managing fixed discretionary budgets to ensure support to vulnerable residents and businesses in the city

- Registration of births, deaths and marriages along with citizenship.
- Coronial services

3.7. ***Ensure a well managed council through enabling the council to function effectively***

The Corporate Core will deliver this objective through:

- Setting the financial strategy and associated management and advice, ensuring the best use of resources, and driving delivery of budget savings & effective investments.
- Robust Procurement arrangements support for effective commissioning and contract management and embedding social value
- Effective strategic planning and performance management, supporting the organisation to prioritise effectively to improve outcomes for residents, and reduced demand
- Delivering the Our People Strategy, enabling the workforce to be the best it can be
- Ensuring the organisation is making the most effective use of technology and the opportunities provided by digital public services
- Supporting the organisation to communicate effectively using the appropriate channels and media internally and externally

3.8. ***Ensure effective assurance and governance***

The Corporate Core will deliver this objective through:

- Ensuring the organisation is delivering its statutory duties, within the legal framework
- Supporting corporate governance and ensuring that decision makers to take decisions in accordance with the law
- Providing essential support to The democratic process and elected members
- Effectively managing risk and delivering internal audit and health and safety functions

3.9. ***Enable strategic leadership and reform through working with internal and external stakeholders and partners***

The Corporate Core will work with other directorates and partners to deliver this objective through:

- Facilitating shared strategic policy-making and leadership, with the city's wider partners, and partners across Greater Manchester, nationally and internationally to ensure delivery of the Our Manchester Strategy for the city.
- Working with the Greater Manchester Combined Authority to maximise the opportunities of devolution, and nationally on resources and long term planning
- Providing, with other directorates and partners, strategic leadership and coordination to drive public service reform and service improvement including health and care integration, and wider work to bring services together for people in places
- Providing specialist support to major transformation programmes, through a range of functions including finance, technology, data science and

organisational development
- Providing wider support to the organisation and the city to develop future focused strategies, including the Local Industrial Strategy, Digital Strategy and Local Development Plan
- Adding wider value to the organisation through understanding and driving cross cutting approaches and issues including social value, the Living Wage, modern slavery and welfare reform.
- Working with government and partners to develop enhanced data sharing agreements and improved processes to support the collection of debt and improve partnership working
- Supporting partnerships with cities in Europe and across the world which support innovation, investment and wider economic relationships and also raise the city's profile on the international stage.

3.10. The objectives will be delivered through a combination of proactive or planned activities, as well as reactive activities, reflecting constantly changing external circumstances. The objective will also enable the organisation to generate income through the provision of some services to external partners.

3.11. To support delivery of all of the objectives, 2019/20 will see continued focused work within the directorate on **C*orporate Core transformation*** with the objective of ***moving towards a more effective, streamlined Corporate Core***. This work will deliver £0.5m of savings in 2019/20 and will focus on:

- Opportunities for further collaboration and reduction of potential duplication.
- Understanding the statutory responsibilities and wider organisational enabling functions delivered by the Core
- Improving business process with increased efficiency and effectiveness in transactions across the City Council including use of technology.

4. Self-Assessment of Key Challenges 2019-20

4.1. The Corporate Core will play a pivotal role in delivering the priorities agreed for 2019/20. To achieve this the following challenges have been identified and will need to be addressed through joint working and a coordinated approach across all of the Core functions. The Core will need to support organisational transformation to deliver Our Corporate Plan and the budget strategy in critical areas such as Health and Social Care Integration and embedding the Our Manchester approach.

4.2. To achieve this, the Corporate Core has been delivering well against its performance objectives for 2018/19. Across the services within the Corporate Core the focus has been on efficiency and delivery. For example, a lower proportion of transactions were made face-to-face and via the telephone versus online requests (50.2% requests online financial year to date at November 2018) in the first half of 2018/19 compared to the same period in 2017/18 (44.5%).

4.3. The Core aims to provide high quality direct and universal services to residents. In terms of feedback from residents and complaints handling, the percentage of Stage 1 complaints responded to in 10 days has shown sustained increases to reach 96.0% at November 2018, hitting the target. Latest performance reports have also demonstrated that the Corporate Core continues to exceed the 90% target for timeliness of responses to Freedom of Information Requests and the 90% target for Data Subject Access Request responses. However, challenges remain in terms of responding to resident feedback, as demonstrated by the fact that 14.3% of the ombudsman complaints received in 2018/19 were upheld, which exceeds the 10% target year to date November 2018.

4.4. One of Our Corporate Plan priorities is: balance our budget, including delivering approved savings, transforming services, reducing demand through reform and generating income**.** Revenues and Benefits aim to both support Manchester residents in need to get their full benefit entitlement and collect the maximum amount of money owed to the Council in accordance with its vision and values. Within this a key challenge remains the need to retain high collection rates of both current year and arrears. Changes to Council Tax charges for long term empty properties will be introduced to fund increased discretionary support to vulnerable residents. The Business Rates retention trial will be monitored to understand its impact on resources. The percentage of council tax due collected by the end of December 2018 (74.0%) is slightly (-0.3% points) below that at the same point last year, and for business rates (78.0%) it is slightly below too (-1.4% points.) The actual amount of council tax collected so far this year (£141m - as at end of December '18) is higher than this point last year (£132.1m), the amount of business rates collected this year (£288.4m) is also higher than last year (£285.3m).

4.5. The Core must support local businesses and job creation through embedding social value in commissioning and procurement, including managing and monitoring delivery of social value activities, and through the prompt payment of invoices. The average monthly results for % of invoices paid within 10 days (61.4%) and 30 days (87.2%) have both improved slightly but remain below their targets (65% and 90% respectively). After remaining at circa 9% over the last 3 months, the % of pursuable debt over 1 year old at Nov 2018 has decreased to 4.9%.

4.6. Ensuring the Our Manchester behaviours are fully embedded and reflected in all parts of service delivery. The Core will support the Council, its partners and other stakeholders in this work. Evaluation of the impact of the Our Manchester approach on the vision for the city will commence from Quarter 4 2018/19 but this will need to remain an area of focus for 2019/20.

4.7. The City Solicitor's division key challenges include ensuring effective delivery of statutory Registration and Coronial services in addition to oversight of the City's involvement in the Arena inquest. The service will need to support both new delivery models for health and social care and children's leaving care proposals and the delivery of commercial project work and strategic acquisition. The team will also need to ensure a well run local election in May 2019; providing support to candidates, ensuring processes are properly undertaken and inspiring confidence by our residents in the democratic process.

4.8. The Core has developed the approach of Bringing Services Together for People in Places in partnership with Neighbourhood Services, Manchester Local Care Organisation (MLCO) and other services. This involves an integrated approach to place-based working in neighbourhoods across the City, by building effective relationships between workforces, and joining up resources at a neighbourhood level.

4.9. The Core will also support effective implementation of integrated neighbourhood teams, including the operation of the Manchester Health and Care Commissioning function, and implementation of the Manchester Local Care Organisation. This will involve helping to build an integrated approach to health and care services, which improves outcomes for Manchester residents and reduces demand for services. The Core will coordinate the support required to enable implementation of our new models of care and associated transformation.

4.10. The Core must continue to respond to, and support residents with the wider welfare reform agenda, including monitoring and addressing impacts on poverty and homelessness. Challenges include working with partners to mitigate impacts from the continuing roll out of Universal Credit, for example in terms of rent arrears. The leadership of the Core will need to effectively carry out the role of influencer in the City, to engage with communities, and partners across both the public and private sectors to ensure that the Family Poverty Strategy is fully embedded across Manchester.

4.11. Manchester is engaged in a range of European partnerships which are managed from within the Corporate Core including Eurocities and is either a lead partner or a member of a consortium delivering innovative projects funded through Horizon 2020 or other European funding sources. There are some uncertainties about the future of European funding once the United Kingdom leaves the European Union. The Treasury have guaranteed that the European Regional Development Fund and European Social Fund will continue regardless of any future ‘Deal’ or ‘No Deal’ scenarios. These programmes contribute €400 million to Greater Manchester between 2014 and 2020. All other UK guarantees relate to transnational programmes where the European Council may take a contrary view to HM Government. It is estimated that a ‘No Deal’ scenario could mean that the Council will lose access to around €3 million of approved grants but there would be no direct loss of funds claimed to date.

4.12. HM Government have indicated that the UK Shared Prosperity Fund will replace European Funding but it is not yet clear what the value of this programme will be. Funding will be allocated at a Local Enterprise Partnership geography meaning Manchester’s share will be allocated via the GMCA and will be aligned to the Greater Manchester Local Industrial Strategy.

4.13. Staff engagement across the organisation, as reflected through the BHeard Survey, improved so that the Council is now firmly in the 'One to watch' category, the Corporate Core improved significantly as is now also 'One to watch', moving from the lowest score of the Council's five directorates to close the gap to the organisational average score. Scores in the survey's 'leadership' factor, particularly from senior managers, continue to represent the biggest area for improvement for both the Council, and the Core, and the corporate and Directorate response plan will focus in this area.

4.14. Staff absence levels across the Core were 11.04 days per full time staff member in the 12 months up to Nov 2018 - one day more than the 12 months to Nov 2017. Organisational absence stood at 12.21 days, a slight increase compared to 11.99 the previous year. Supporting employees to maintain high attendance levels is a key component of Our Ways of Working and the Our People Strategy.

4.15. A key challenge will be to monitor and support reduction in demand for Children's and Adult's Social Care and health services and meet demand through cost-effective service provision to meet the Council's budget requirements in 2019/20 and beyond. The Core is directly involved in terms of providing the front door. Over the next year, a delivery model for a new MLCO Control Centre will be developed that will integrate the many front doors across the whole of the MLCO, bringing them together into a single point of access across Adult Social Care, Adults MASH, Community Health and in later phases Primary Care and Mental Health. This will be through integrated telephony, monitoring and response to Technology Enabled Care (TEC) including Assistive Technology and a whole system view of people in the community health and care system. This will enable MLCO staff to proactively triage, monitor and respond to residents' circumstances in an integrated way ensuring they are supported to live at home for as long as possible. There are also plans to deliver a Technology Enabled Care Programme which will place digital devices into residents' homes to support them to continue to live at home, with a system of alerts managed in the new Control Centre.

4.16. There will also be changes to the delivery model to support children's social care front door delivery in the city. A core component of maximising our value for money will be the continued focus of developing capacity and skills relating to commissioning and contract management.

4.17. ICT continue to play a significant role in providing the infrastructure to enable the organisation to operate efficiently. This will focus on areas including improving the resilience and security of ICT systems, and arrangements for disaster recovery. This will contribute to the continued drive to reduce the number of major ICT incidents which occur in a month from 11.75 (year to date November 2018) and improve performance of our systems. ICT will ensure that Manchester is at the forefront for Digital technologies specifically driving greater use of Fibre connections, 5G and Technology Enabled Care to support the Health and Social Care agenda. Having delivered a significant number of projects in 2018 further projects are set to deliver enhanced capability over the next few years as part of the ICT Capital Plan. A new Legal Services case management solution and a GDPR system are in the pipeline for 19/20 to support assurance and efficiency in these areas. These are described in more detail in section 9 of the plan.

5. Revenue Strategy

5.1. The Corporate Core gross 2018/19 budget is £321.550m, and the net budget is £70.087m with FTEs of 1,741, the breakdown by service area is shown in the table below.

Table 1: 2018/19 Base budget

Service Area	**2018/19 Gross Budget** £'000	**2018/19 Net Budget** £'000	**2018/19 Budgeted Posts (FTE)** £'000
Human Resources and Org Development	4,728	4,445	102.6
Reform and Innovation	1,042	906	18
Policy	12,093	9,248	52.6
Communications	5,515	3,690	95.12
Performance	4,562	4,527	95.2
People, Policy & Reform Sub Total	**27,940**	**22,816**	**363.52**
Legal services	8,012	2,811	201.61
Democratic and Statutory Services	5,069	3,582	88.61
Executive Office	3,131	3,131	14
Legal, Democratic Sub Total	**16,212**	**9,524**	**304.22**
CEX Corporate Items	1,627	1,627	0
Total Chief Executives	**45,779**	**33,967**	**667.74**
Commissioning & Procurement	1,628	1,327	32.7
Revenue and Benefits	245,965	8,826	347.81
Financial Management	6,048	5,653	155.26
ICT	14,085	14,035	160.46
Audit, Risk and Resilience	1,798	1,401	39.64
Shared Service Centre	1,458	803	92.7
Customer Services	4,262	4,161	149.51
Capital Programmes	274	(199)	89
Corporate Services Corporate Items	381	314	0
Commercial Governance	319	246	6
Total Corporate Services	**276,218**	**36,567**	**1073.08**
Cross Cutting Savings	(447)	(447)	
Grand Total Corporate Core	**321,550**	**70,087**	**1,741**

5.2. The Corporate Core budget of £70.087m is net of the £2.945m savings that were agreed as part of the 2018/19 budget process. There are a further £2.160m of savings already approved for 2019/20 as part of the original 2018/20 budget process, and there are an additional £1.189m of proposals included as part of the current budget proposals. This gives the Core overall savings of £3.349m in 2019/20. The breakdown of both the already approved and the additional proposed savings are set out by service area in the table below.

5.3. The Corporate Core will continue to support other Directorates of the Council to ensure that we are a well managed Council.

Savings Proposals 2019/20

5.4. As part of the 2018/19 budget process total savings proposed by the Core were £5.105m, and these were phased £2.945m in 18/19 and £2.160m in 19/20. Of the approved £2.945m 18/19 savings, all have been achieved with the exception of the cross cutting commissioning savings, and a plan has been developed for ensuring these are delivered in 2019/20. An additional £1.189m savings have been proposed as part of the work that has been undertaken to ensure a balanced budget overall. Summary details of the overall Corporate Core savings are shown in the table below, with further details of both the already approved savings and the additional proposals set out in the following paragraphs.

Corporate Core Savings

Service Area	Description of Delivery Plan	Amount of Delivery Plan			FTE Impact (Indicative)
		2019/20 Approved £000's	**2019/20 Additional Proposed £000's**	**Total £000**	
HR/OD	Reduced Supplies and Services budgets		50	**50**	
Communications	Reduced external communications spend		25	**25**	
Reform and Innovation	Reduced Supplies and Services budgets		4	**4**	
City Policy	Reduced special Projects expenditure		100	**100**	
PRI	Reduced costs of Data Governance Improvements		60	**60**	
	People, Policy and Reform Savings		**239**	**239**	
Legal and Democratic Services	Staffing reduction in legal services following planned reduction in Children's caseload	100		**100**	2.0
Integrated Commissioning	Reduced Supplies and Services budgets		15	**15**	
Financial Management	Lean systems: Service review and improved efficiency through ICT developments and changes to finance processes	390		**390**	11.0
ICT	Revenue savings through reduce maintenance/ licensing cost following capital investment	170		**170**	
	Reduction in resources allocated for ICT Investment		435	**435**	
	ICT Total Savings	**170**	**435**	**605**	
HR Policies & Processes	Review existing HR policies and Processes	1,500		**1,500**	
Cross Cutting	Corporate Core Transformation work		500	**500**	
	Corporate Core Total Savings	**2,160**	**1,189**	**3,349**	13

People, Policy and Reform - £239k

5.5. People, Policy and Reform has a net budget of £22.816m and 364 FTEs. The services have identified proposals of £179k for 2019/20 as part of the budget work. These savings are made up of £79k reduction in supplies and services budgets in HR/OD (£50k), Communications (£25k) and Reform and Innovation (£4k). There is also £100k saving proposed that will be achieved through a combination of reduced project expenditure and reduced supplies and services budgets. The savings will need to be balanced against the need for increased work in respect of the Zero Carbon and Clean Air Agenda, Culture projects, the Industrial Strategy and the transport agenda.

5.6. Performance Research and Intelligence have proposed £60k savings for 2019/20, this is to be achieved through a reduction in the overall costs of the Data Governance improvement programme.

Legal Services - £100k

5.7. As part of the original 2017/20 budget process, Legal services had a £100k savings approved, this was to be delivered in 2019/20 through staffing reduction following the anticipated reduction in Children's legal caseload. The planned reduction in the Children's legal caseload has not been realised, and there is proposed investment of £435k in Children's services to fund the increase in Legal costs arising from the increasing Children's caseload.

5.8. It is not therefore possible to reduce staff within the Children's legal team, but the £100k saving will be achieved through other staff reductions from across legal services. This will be achieved through careful vacancy management and will be helped by efficiencies that will arise following the introduction of the new Legal case management system in 2019/20.

Integrated Commissioning - £15k

5.9. Commissioning Services have been supporting all Directorates to improve existing processes, and reduce costs through better commissioning of contracts, and this has helped reduce costs in Directorates. As part of the additional budget proposals £15k has been identified through a reduction in the supplies and services budgets.

Financial Management - £390k

5.10. Financial Management has already delivered £100k savings in 2018/19. As part of the ongoing work to improve finance processes there are further efficiencies proposed including some changes to ICT systems. A saving of £390k savings was approved for 2019/20 as part of the original 2017-20 budget process, to be achieved predominantly through a reduction in staff numbers. Due to additional work on the new ICT systems the planned implementation date has been extended to around summer 2019, which means that some savings may not be achieved in full in 2019/20, but the service will mitigate this through a combination of vacancy management and continued budgetary control.

ICT - £0.605m

5.11. ICT have already delivered savings of £0.535m in 2018/19, and there is another £0.605m proposed for 2019/20. This is made up of £435k identified as part of the budget work. This is in addition to the £170k savings that were originally approved as part of the 2018/20 budget proposals. The initial £170k savings is to be achieved through reduced costs of contracts in respect of licences and maintenance costs, whilst the £435k is to be achieved through savings identified as part of the new data centre proposals.

Cross Cutting Savings - £2m

5.12. Over 2018/19 and 2019/20 there were £3m of workforce related savings approved, it has been agreed that the intention is to achieve these savings without detrimental changes to the existing terms and conditions of staff. The £1.5m scheduled for 2018/19 has been achieved, with a further £1.5m planned for 2019/20.

5.13. The £1.5m 2018/19 target has been achieved through a combination of reducing staffing budgets to allow for vacant posts, deleting a number of long term vacant posts, the rationalisation of Council funded car parking passes and increasing the savings from staff purchasing annual leave. As part of the voluntary Christmas close down arrangements, staff were allowed to buy an increased number of days annual leave, the maximum days which can be purchased was increased from 5 to 10.

5.14. Work has been ongoing to look at the options for delivery of the additional £1.5m required in 2019/20, this work has been undertaken in consultation with Trade Unions. The proposals include the following.

- Further savings of £150k from additional annual leave purchase by staff, this is based on analysis of take up this year.
- The introduction of a shared cost (salary sacrifice) model for the purchase of Pension Additional Voluntary Contributions which is projected to generate £150k in savings from employer National Insurance contributions.
- Savings of £0.540m from work recently undertaken to rationalise the Council's senior structure and the level of vacancies held which has resulted in an underspend on the Council's inflationary allowance for the 2019/20 Pay Award.
- £100k from the identification of a number of additional funded vacancies for deletion and the initial phase of work to review travel costs across all Directorates.

Taking the above proposals into account there is a shortfall of c£0.560m. The intention is to achieve this through the identification of further funded vacancies from across all Directorates.

5.15. As referenced at paragraph 3.11, work has now commenced on delivering a transformation programme across the Corporate Core, this will look at opportunities across all three parts of the Core including Corporate Services, City Solicitors and People Policy and Reform. There is a £0.5m savings target proposed as part of this piece of work.

5.16. The work includes three workstreams:

- Leadership, governance and decision making. This workstream is focused on enabling effective use of leadership capacity and working with and across the Core's workforce to enable transformation
- Our approach to delivering our corporate priorities. This workstream is focused on how we as a Core support the organisation to deliver the corporate plan priorities and that the right resources are in place to enable effective, collaborative delivery of projects and transformation activity
- Business process. This workstream is focused on transactional business process managed within the Core and ensuring that process is managed effectively and efficiently, and making best use of technology.

There is also an opportunity to align this work to health and social care integration and opportunities to maximise efficiencies through the management of back office functions across the system.

Budget Risks

5.17. The Core will continue to manage all budgets within the existing funding envelope, whilst also mitigating any existing or emerging budget risks to ensure the overall Council budgets are not adversely impacted. The current known budget risks that are being mitigated are:-

Statutory and Democratic Services

- The Coroners service approved £55k savings through a review of the existing mortuary contract, and potentially including other Greater Manchester coroners, has not been realised and the costs have increased. To enable the Coroners to deliver a balanced budget and mitigate both the existing cost pressures and the savings target not met the City Solicitor is to review the Coroners service, to ensure efficiencies are made within the service this will include benchmarking against other Coroners to ensure performance and costs are in line with best practice.

- Coroners - There has been a 27% increase in the number of cases being reviewed compared to 2013/14, in line with national trends. There is also an increase in the number of complex cases requiring a juror's inquest and additional expert witnesses. A review of how services are provided within the Coroners service is to be undertaken, this will involve reviewing existing systems and processes to ensure that the systems and processes are as effective as possible and in line with other comparator coroner's services. It is anticipated that the review of systems and processes will reduce costs that help mitigate the cost pressures going forward.

Integrated Commissioning

- As part of the 2018/19 budget, cross cutting Commissioning and procurement savings of £0.75m were approved. To date the Commissioning and Corporate Procurement teams have focused on supporting directorates in making savings, which have helped reduce net directorate spend. They have also undertaken significant work to improve contract management, through the creation of contract registers, revised processes to improve efficiency and work to improve systems. To date savings of £117k have been achieved against the approved £0.75m, leaving a shortfall of £0.633m. This has been offset from within the Core overall budget in 2018/19. In order to achieve the remaining savings target, work with Directorates to support opportunities to engage with suppliers and the market prior to contract renewal, including where contracts have been extended in order to ensure that the Council optimises contract benefits.

Investment and Other Changes

5.18. The Discretionary Housing Payment (DHP) scheme provides funding to deal with anomalies and hardship in situations where normal Housing Benefit or the housing element of Universal Credit does not cover all of a resident's rent liability. In 2018/19 Government provided grant of £2.433m, and the Council agreed additional investment of £1m to give total funding of £3.433m, due to the increasing pressure within the Council to provide support to financially vulnerable and homeless residents it is proposed that a further £1m is included within the DHP budget in 2019/20.

5.19. The welfare provision scheme allows the Council to provide financial support in the form of grants to Manchester residents who are suffering financial hardship under certain circumstances. Over the last two years the number of applications and costs of approved grants has increased, and this is partly due to support being provided to residents moving from homelessness accommodation or other supported housing into their own property and requiring furniture packages and an increasing number of requests for fuel poverty grants. In order to provide additional support to the most vulnerable it is proposed that an additional £100k investment is made to increase the amount available.

Approved Medium Term Financial Plan

	Approved MTFP						
Service Area	**2018/19 Net Budget**	**Approved savings**	**Investment and other changes**	**2019/20 Net Budget**	**2019/20 Identified pressures**	**2019/20 Recovery proposals**	**Proposed 2019/20 Net Budget**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
People, Policy & Reform							
HR/OD	4,445			**4,445**		(50)	4,395
Policy, Partnership, Research & Culture	9,248			**9,248**		(100)	9,148
Communications	3,690			**3,690**		(25)	3,665
Reform and Innovation	906			**906**		(4)	902
People, Policy and Reform Sub Total	**18,289**	**0**	**0**	**18,289**	**0**	**179**	**18,110**
Performance, Research and Intelligence	4,527			**4,527**		(60)	4,467
Legal and Democratic Services							
Legal Services	2,811	(100)		**2,711**			2,711
Democratic and Statutory Services	3,582			**3,582**			3,582
Executive	3,131			**3,131**			3,131

Legal and Democratic Services Sub Total	**9,524**	**(100)**	**0**	**9,424**	**0**	**0**	**9,424**
CEX Corporate Items (non business plan)	1,627			**1,627**			1,627
Total Chief Executives	**33,967**	**(100)**	**0**	**33,867**	**0**	**(239)**	**33,628**
ICT	14,035	(170)		**13,865**		(435)	13,430
Procurement	972			**972**			972
Commissioning	355			**355**		(15)	340
Revenue and Benefits	8,826		1,100	**9,926**			9,926
Financial Management	5,653	(390)		**5,263**			5,263
Audit, Risk and Resilience	1,401			**1,401**			1,401
Shared Service Centre	803			**803**			803
Capital Programmes	(199)			**(199)**			(199)
CS Corporate Items (non business plan)	314			**314**			314
Customer Services	4,161			**4,161**			4,161
Commercial Governance	246			**246**			246
Total Corporate Services	**36,567**	**(560)**	**1,100**	**37,107**		**(450)**	**36,657**
Cross cutting savings	(447)	(1,500)		**(1,947)**		(500)	(2,447)
Corporate Core Total	**70,087**	**(2,160)**	**1,100**	**69,027**	**0**	**(1,189)**	**67,838**

6. Capital Strategy / Programme

6.1. The capital programme for the Corporate Core totals £480m over the period 2018/19-2021/22, this includes the ICT programme, loans to third parties, and projects carried out on behalf of the Greater Manchester Combined Authority (GMCA). A summary of the current capital budget is shown in the table below, and details of the individual projects can be found in the Capital Strategy and Budget report for Executive in February:

	2018/19 £m's	2019/20 £m' s	2020/21 £m's	2021/22 £m's	Future Years	**Total £m's**
ICT	6.1	11.3	14.6	10.1	5.5	**47.6**
Corporate Investment	132.0	9.4	8.0	2.7	0.0	**152.1**
MCC Programme	**138.1**	**20.7**	**22.6**	**12.8**	**5.5**	**199.7**
GM projects	95.8	146.5	38.0	0.0	0.0	**280.3**
Total	**233.9**	**167.2**	**60.6**	**12.8**	**5.5**	**480.0**

6.2. The ICT investment plan is ongoing, with significant works having been undertaken in 2018/19 including implementation of a new social care system and design and implementation works to the data centre and associated networks.

6.3. Funding has been provided to the Airport in the form of a shareholder loan in 2018/19 and in 2019/20 funding is available to fund the purchase of equity in car parking facilities at the airport. Financial support will also be made available for the development of a project with Health Innovation Manchester to conduct research on life science sub-sectors of health and medical technologies.

6.4. The projects held on behalf of the Greater Manchester relate to loans for housing projects, and with the borrowing powers of the Combined Authority having recently been revised it is anticipated that the majority of the new projects and existing loans will transfer over to GMCA in the near future.

6.5. The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive provides information on the expected future investment requirements for the Council. The programme of works will include measures aimed at replacing communication room technology, and the implementation of the data centre network.

6.6. Other works to be supported include the implementation of disaster recovery works, replacement of out-of-support systems for social work casework and for telephony, and the roll out of assistive technology to support the delivery of adult social care.

7. Impact on Residents, Communities and Customers

7.1 The Core will lead the review of the 2016-20 equality objectives in 2019-20, as well as leading the consultation and refresh of the Council's equality objectives for 2020-24. The duty to set equality objectives arises from the Public Sector Equality Duty; the Core will connect with its public sector partners in the City to assess the extent to which there is a shared set of Manchester equality objectives, as well as ensuring that those objectives defined by and for the Council are informed by the views and contributions of other sectors and community voice, and are aligned to the aims of the Our Manchester strategy.

7.2 Following the successful re-accreditation at the Excellent level of the EFLG in June 2018, the Core will lead the development, measurement and progress of a resulting EFLG action plan. The plan, which comprises the areas for further consideration identified by the Local Government Association peer review team in its final report, will form the basis of continuing our equalities good practice throughout 2019-20. This will involve the Core leading equalities performance management across all of the areas for consideration, which take into account all Directorates and all 5 of the EFLG performance areas. Successful delivery of this process will support the organisation's continuing ambitions against the EFLG going forwards.

7.3 The Core is integral to supporting the development and delivery of the Family Poverty Strategy 2017-22. In consultation with Core service leads, consideration will be given in 2019-20 to how equality considerations can be systematically built into the Family Poverty Strategy. This will ensure a greater alignment between the measures currently being considered as part of the strategic approach and the Council's well-established and effective frameworks for equality analysis. Consideration of the most applicable methodology of achieving this and the development of any required tools will be led by the Core, to enable the Strategy to more fully support the Our Manchester ambitions to create a 'progressive and equitable city'.

8. Impact on the Workforce

8.1 The workforce impact of the budget proposals can largely be achieved by the deletion of vacant posts, overall review of vacancies to determine if they are true vacancies that are essential or can be offered as a reduction to make further efficiencies. To support this, additional governance has been put in place to review all external advertisement requests, new post creations and extension of agency/consultants.

8.2 Proposed changes to the Core will see a number of services moved to the new Deputy Chief Executive and City Treasurer, these will include;

- Financial Management, ICT, Revenue and Benefits, Audit and Risk Management, Procurement and Integrated Commissioning, Shared Service Centre and Customer Organisation, HROD, Policy, Partnerships and Research, Reform and Innovation, Performance, Research and Intelligence, Commercial Governance and Capital Programmes.

As well as proposed changes to the City Solicitors portfolio, these will in future include;

- City Solicitors - Legal Services, Statutory and Democratic Services, Strategic Communications, Civic and Ceremonial function.

8.3 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.

8.4 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.

8.5 In order to achieve the Council and digital ambition, vision and objectives, ICT will revisit the current operating model to ensure it remains fit for purpose and establish an even more balanced, sustainable and service oriented operating model. It will deliver the right services to the right standards at the right time for the City's staff, Members and residents, using the most cost effective delivery models. This will place a significant focus on ICT continuing to get "the basics right" for the users of its services and delivering change to help transform services and reduce risks. Today's users and customers expect digital products and services to improve continuously. This model will reflect a long term strategy for future growth, attraction and retention of staff, clear lines of progression and development for staff.

9. Technological Support

9.1 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from 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 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.

9.2 During 2018/19 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.

- Coroner's application was upgraded and migrated to a new data centre.

- Implementation of a new Meetings Management solution to manage internal and committee meetings
- Procurement of a new case management solution for Councillors
- Implementation of ServiceNow in ICT to introduce a portal for staff to interact with the Service Desk and a new project management tool
- New multi functional printers installed across the estate to replace the old, out of date failing devices
- All laptops and desktops were upgraded to windows 10
- Migration of virtual server environment to new, up to date resilient hardware
- Replacement of Councillors tablets
- Various critical application upgrades e.g. SAP Netweaver, Academy
- Universal Access Phase 1 that provided intranet access to over 1000 staff members
- Implementation of the new Adult Social Care case management system
- Technology provider to the MLCO

9.3 During 2019/20 ICT will continue to work closely with the Directorate 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:

- Implementing a new Legal Services case management solution that will drive and deliver efficiencies to improve service performance.
- Embarking on the 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.
- Planning, designing and delivering a new Information Governance platform to manage information governance requests in line with the new GDPR regulation.
- Migrate 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.
- New up to date, reliable telephony solution with contact centre capability for the MLCO
- Procuring, planning, designing and delivering a new Contract and Procurement Management system.
- Delivering the End User Experience programme that encompasses a number of projects aimed at transforming the way the organisation works: the new Microsoft Enterprise agreement licensing model, growing Google and to ensure staff are equipped with the appropriate device(s) so they can undertake their work in the most flexible and cost effective way.

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Appendix - Delivery Plans
1. Revenue Financial Plan

Subjective Heading	2018-2019 Budget £'000	2019-2020 Indicative Budget £'000
Expenditure:		
Employees	71,602	71,112
Running Expenses	265,630	263,871
Capital Financing Costs	43	43
Contribution to reserves	0	0
Total Subjective Expenditure	**337,275**	**335,026**
Less:		
Other Internal sales	(15,725)	(15,725)
Gross Expenditure	**321,550**	**319,301**
Income:		
Government Grants	(219,809)	(219,809)
Contributions from Reserves	(1,740)	(1,740)
Other Grants Reimbursements and contributions	(5,014)	(5,014)
Customer and Client Receipts	(12,149)	(12,149)
Other Income	(12,751)	(12,751)
Total Net Budget	**70,087**	**67,838**

2. Performance Plan

Our Plan Priority	Objective	Indicator	2017/18 result	2018/19 target	2019/20 target
Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Ensure a well managed council through enabling the council to function effectively*	Participation in B'Heard Staff Engagement Survey	55% (2018)	Positive direction of travel.	
		Best companies index score	630 (2018)	Positive direction of travel towards 'one star' (659.5 points)	
		Difference between progression rate of BME and non-BME employees *(a +ive difference indicates the progression rate of BME employees was higher than non-BME employees)*	+2.11 percentage points	Progress trends, rather than targets, are monitored and reported annually to SMT. A positive difference shows that the progression rate of BME / disabled employees is greater than that of non-BME / nondisabled employees.	
		Difference between progression rate of disabled and non-disabled employees *(a +ive difference indicates the progression rate of disabled employees was higher than non-disabled employees)*	+1.34 percentage points		
		Average number of days lost due to sickness in the year per employee.	12.04	The Council aims to maximise staff	

		(MCC total)		attendance levels and move towards relevant sector benchmarks.	
		Average number of days lost due to sickness in the year per employee. (Corporate Core total)	10.84		
Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Provide high quality direct and universal services to residents*	Average days taken to process new claim for Housing Benefit or Council Tax Support	26.45 days	25 days	N/A
		Average days taken to process a change in circumstances relating to Housing Benefit or Council Tax Support	10.21 days	11 days	N/A
Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Ensure a well-managed council through enabling the council to function effectively*	% of invoices paid within 10 days *(average monthly result for the year)*	60.67%	65%	65%
Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Provide high quality direct and universal services to residents*	% of customers satisfied / very satisfied by Contact Manchester and the Customer Service Centre	97.4%	97%	97%
Well Managed Council		Average number of major ICT	10.58	Progress trends	

Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours	*Ensure a well-managed council through enabling the council to function effectively*	incidents in a month for the year		are monitored and reported to ICT Board.	
		ICT Service's average monthly Net Promoter (satisfaction) score *(The NPS is informed by the instances in which individuals with logged incidents or requests in the month provided feedback. It is the % of responders who are 'promoters' (very satisfied) minus the % who are 'detractors' (unsatisfied)).*	72	N/A	N/A
Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Provide high quality direct and universal services to residents*	Number of formal action plans undertaken in the year and % signed off as complete	17 (100%)	100%	100%
		% of stage 1 corporate complaints responded to within 10 days (MCC total)	86.78%	96%	96%
		% of ombudsman complaints upheld (MCC total)	42.86%	10%	10%
		% of stage 1 corporate complaints responded to within 10 days (Corporate Core total)	94.39%	96%	96%
		% of ombudsman complaints upheld (Corporate Core total)	41.18%	10%	10 %

Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Ensure a well-managed council through enabling the council to function effectively*	Amount spent by the Council on agency staff in the year	£15,974,000	Downward direction of travel	
		Number of apprenticeship starts against agreed commitment (total starts in the Council)	200 apprenticeship starts were achieved, which exceeded the target of 169	159	165
Well Managed Council *Balance our Budget including delivering savings, reducing demand through reform and generating income*	*Ensure a well-managed council through enabling the council to function effectively*	% Council Tax due for the year which was collected	93.01%	93%	N/A
		% Business Rates due for the year which was collected	96.60%	98%	N/A
		% of pursuable debt over 1 year old (at the end of the financial year)	4.13%	0%	0%
Well Managed Council *Balance our Budget including delivering savings, reducing demand through reform and generating income*	*Provide high quality direct and universal services to residents*	% of transactions within the year which were delivered online	45.4%	The Customer Service Organisation monitors activity within specific service areas in the CSO Delivery Plan. A 10% reduction target exists in relation	
		% of transactions within the year which were delivered via telephone	50.0%		
		% of transactions within the year which were delivered face to face	4.6%		

				to reducing telephone contacts (relating to Neighbourhood Services and Council Tax and Benefits).	
Well Managed Council *Enable our workforce to be the best they can be through the Our People Strategy and OM behaviours*	*Ensure effective assurance and governance*	% of FOI (Freedom of Information) and EIR (Environmental Information Requests) requests responded to by the deadline (20 working days in most cases) (MCC)	86.33%	90%	90%
		% of FOI and EIR requests responded to by the deadline (20 working days in most cases) (Corporate Core)	89.31%	90%	90%
		% of DSAR (Data Subject Access Requests) requests responded to by the deadline (one month in most cases) (MCC)	91.71%	90%	90%
		% of DSAR (Data Subject Access Requests) requests responded to by the deadline (one month in most cases) (Corporate Core)	88.89%	90%	90%

Well Managed Council Balance our Budget *including delivering savings, reducing demand through reform and generating income*	*Enable strategic leadership and reform through working with internal and external stakeholders and partners*	MCC's direct CO_2 emissions in the financial year (kg)	47,687,723 kg in 2017-18 (a reduction of 33.8% from the 09-10 baseline)	Reduce MCC's direct CO_2 emissions by 41% by 2020 from the 2009/10 baseline of 72,074,613 kg.
		Manchester's emissions of CO^2 in the calendar year (kt)	2,175.6 kt in 2016 (a reduction of 33.4% from the 2005 baseline)	The headline objective in MACF (the action plan for the entire city) is to reduce the city of Manchester's CO^2 emissions by 41% by 2020, from 2005 levels (3,276.3 kt)

3. Equality Overview and Action Plan

1. How has the Directorate's activity over 2017-18 year supported the promotion of equality and diversity in the City in support of the Council's equality objectives and supporting aims (citing specific and tangible examples where possible)?

The EDI Team led the Council's process of re-accreditation against the Equality Framework for Local Government (EFLG) in June 2018. EFLG Excellence, which the Council first achieved in 2015, is the Local Authority 'gold standard' in equality and diversity and continued performance at this level is a Political Priority in support of the organisation's equality objectives and the 'Progressive and Equitable' strand of the Our Manchester Strategy. Following the peer-review, the Council was successful in achieving its Excellent level re-accreditation until 2021, making it one of a very select number of authorities to have not only achieved the Excellent accreditation (11 since 2015) but to have retained the award in consecutive terms (6 including Manchester).

The Our Manchester Funds Programme Team extended 12 month transition funding to a number of organisations, particularly BAME carers' organisations, that were not successful in the first round of Our Manchester VCS funding. This arrangement was made in recognition of the potential impact on groups based on identity and geography, and liaison with the targeted organisations has continued throughout 2018-19 to support and strengthen their operations. The Our Manchester VCS fund and the extension of transition funding to avoid a negative impact was well regarded by the EFLG peer team. The transition funding period draws to a close at the end of 2018-19.

The Council Tax Support scheme, managed by the Revenues and Benefits Service, is being updated to make it easier for working-age people on Universal Credit to claim Council Tax Support. The changes also simplify what happens to Council Tax Support when Universal Credit payments change by small amounts. A consultation exercise on the changes was carried out attracting 1,051 responses. The responses were from a broadly representative sample of Manchester residents based on gender, age, ethnicity and sexual orientation with just over half the respondents being in receipt of Council Tax Support. The responses support the changes and are feeding into the EIA in the change which is in the process of being finalised.

In May 2018 decisions on free school meals were passed on to schools. Schools were supported in purchasing an online free school meal checker which gives a decision straight away on whether a pupil is entitled to free school meals, which in itself is a qualifying criteria for the pupil premium maximising funding for the school.

Additional budget in the form of discretionary housing payments and welfare provision has been used to obtain and sustain tenancies to prevent homelessness. Revenues and Benefits have trained frontline staff in housing and a provided dedicated resource to help with this. The welfare provision scheme more widely is used to help disabled / vulnerable people to stay in their home with support or to move into more suitable accommodation. This work will carry on into 2019/20.

Severe Mental Impairment exemption for Council Tax was reviewed and guidance for staff updated. A communications plan was also drawn up which included a friendly URL (www.manchester.gov.uk/SMI), staff broadcast, targeted Facebook campaign plus briefings for care staff and social workers.

Care leavers discount, introduced in 2017/18, was extended to anyone up to the age of 25. We also have a AGMA approach to dealing with the discount for consistency across Greater Manchester. We worked with Barclays Bank to improve their offer to care leavers including access to support going from Barnardos to the City Council.

2. How does the Directorate's planned activity and priorities for the years ahead support the promotion of equality and diversity in the City in support of the Council's equality objectives and supporting aims (citing specific and tangible examples where possible)?

Following the successful re-accreditation at the Excellent level; of the EFLG, the resulting areas for consideration arising from the report of the Local Government Association have been used to develop an EFLG action plan. This plan highlights areas for further improvement across all Council Directorates and against all 5 of the EFLG performance area. Monitoring, updating and developing activities against this plan will form the basis of the Council's continuing equality performance measurement and management over the 2019-20 financial year, which in turn will inform the approach to refreshing the Council's equality objectives.

The EDI Team will lead the consultation on and review of the Council's equality objectives in 2019, with a refreshed set of equality objectives scheduled to be agreed and published by the end of the 2019-20 financial year. The review will consider the Council's progress made against its 2016-20 equality objectives and seek to build on the approach taken to their development, bringing the voices and views of residents, communities of identity and relevant stakeholders (i.e. public and VCSE sector partners) into the objective setting process and making the resulting objectives more clearly aligned with the aims of the Our Manchester strategy. Due consideration will be given in the planning of this work to the equality objectives of other organisations required by the Public Sector Equality Duty to agree and set equality objectives (NHS, GMP etc.) to assess the extent to which there is a shared set of 'Manchester equality objectives' that cut across public services in the City.

The HROD service will progress a range of EDI workforce priorities throughout 2019-20. Giving due consideration to the outcomes of the 2018 EFLG review as well as a broader suite of qualitative and quantitative equalities evidence, HROD has defined a set of workplace inclusion activities which form the workforce strand of the EFLG action plan and fall within three broad headings:

1. A new model of workforce equality engagement
2. A new framework and approach to EDI learning and development
3. A refreshed approach to senior representation of underrepresented groups; increasing senior representation in terms of BAME and Disability in particular

These priority areas are underpinned by a refreshed equalities governance model, an internal communications strategy for EDI, and a strengthened workforce EDI Policy. All developments will be co-designed in partnership with Trade Unions through a TU Equality Forum which has been set up to meet six-weekly.

The Our Manchester Funds Programme Team has initiated a review of the VCS infrastructure contract. The contract review process is being co-designed with a steering group of relevant stakeholders and aims to provide infrastructure support to enable a diverse, thriving and resilient VCS in Manchester which makes a vital contribution to the aims of Our Manchester and which is geographically and characteristically diverse. Initial codesign conversations took place in late 2018 and the process continues into 2019-20, with the aim of the new contract commencing from October.

3. Where will the Directorate's proposed changes and activities over this budget and business planning period have an impact on equalities in general or specific protected characteristics in particular?

Proposal	**Proposed EIA completion date**	**Decision date**	**Senior management lead**	**Comments on initial potential impacts**
Reduce spend on travel costs	*Dec 18*	*Mar 19*	*Head of Workforce Strategy*	*Initial indication is that proportions of people affected do not amount to a disproportionate impact on any given characteristic*
Shared Cost Additional Voluntary Contribution Scheme	*April 19*	*May 19*	*Head of Workforce Strategy*	*Do not anticipate a disproportionate impact on any given characteristic arising from this proposal*
Voluntary, Community and Social Enterprise (VCSE) infrastructure contract review	*July 19*	*Sept 19*	*Programme Lead - Our Manchester Funds*	*The contract review is subject to a codesign process throughout which equality considerations have been and continue to be factored in. This approach seeks to mitigate the risk of adverse equality impact from the review process.*
Revised Council Tax Support Scheme	*Feb 19*	*Mar 19*	*Head of Revenues and Benefits, Shared Services and Customer Services*	*Initial indications are that whilst a broad range of characteristic groups will be affected by the changes, none of these will be disproportionately impacted.*
Counter-fraud investigations and prosecutions	*Mar 19*	*April 19*	*Head of Internal Audit and Risk Management*	*Do not anticipate a disproportionate impact on any given characteristic arising from this proposal*
Highways claims process	*Jun 19*	*Jul 19*	*Head of Internal Audit and Risk Management*	*Do not anticipate a disproportionate impact on any given characteristic arising from this proposal*

4. Workforce Plan

Workforce Strategy

The Corporate Core directorate plays a key role in supporting the delivery of the Corporate Plan priorities and the Our Manchester Strategy. The requirement for all managers to re-align their own team plans, service plans and directorate plans so they line up with these priorities and help to make them happen. These priorities have become everyone's priority.

A summary of the key drivers for workforce change and strategic workforce objectives within Corporate Core for 2019/20 are as follows:

The Corporate Core is made up of a number of services including front line customer facing roles such as the Contact Centre, which provide front door services for Adults and Children's social care, Revenues and Benefits Service which deal directly with the residents regarding the collection of council tax and business rates along with the administration of benefits, as well as a number of Centres of Excellence which provide strategic support to the Council and the Directorates. The workforce strategy is driven by the People Strategy which is underpinned by the Our Manchester approach of;

- We work together and trust each other
- We're proud and passionate about Manchester
- We take time to listen and understand
- We 'own it' and aren't afraid to try new things.

The workforce strategy, aligned to the People Strategy focuses on delivery of our ambition to get our people inspired, connected and empowered to make a difference to the lives of Mancunians every day: to recognise that this is an extraordinary City and organisation to work for and shout about it proudly. This ambition will be achieve by listening to the outcomes of the B Heard and changing the way we operate in response and in line with Our Manchester and the key deliverables of People Strategy:

- Embedding organisational understanding of 'Our Manchester' and equipping staff with the tools to have strengths based conversations
- Creating a clear approach to management and leadership development
- Developing a framework for workforce planning which reinforces Our Manchester through both its content and a new approach to the identification, access and evaluation of development
- Reviewing our policies, processes and approaches / 'Lean Systems'

The workforce strategy will continue to focus on the development of leadership and management to support and enable successful delivery. The focus will continue not only on our current leaders and managers but also our future leaders; this ongoing commitment is demonstrated through the development programme for SMT through to first line managers. It is vital that we continue to build capacity and create a positive culture to improve overall management. Developing on from last year there will continue to be a focus on ensuring training and development is being planned and aligned with service plans and About You conversations to ensure that we are meeting our ongoing commitment to training and development of our existing workforce and wherever possible using the apprenticeship levy and graduate scheme to support this.

Core support services will continue to transform due to the emerging work to revamp the Corporate Core in line with proposed Strategic Management changes and improvements will be implemented over the next 12 months including the simplification of processes. This approach will require the input of our people at all levels and careful workforce planning to ensure capacity is focused on the right areas to deliver the greatest return on investment. This approach will require highly skilled, flexible and focused resources to continue service delivery whilst developing improvements. This require improvements in technology and associated skills. Linked to this we need to ensure the skills development is aligned to the reduction of consultants and agency staff to ensure that we have the right people in the right roles. Our staff are our most important asset, how they think and feel about their work, how we engage with them and how we value them is extremely important to harness the commitment and support to continue to drive forward our ambitious plans. Developing and supporting staff to embed the ‘Our Manchester’ principles and behaviours will be fundamental to achieving our objectives.

There will be a continued focus on performance management for example, attendance; development, and poor performance with an increased focus on strategic workforce planning. This will include a strong focus on management induction and understanding the basics of practical management including relevant policies and procedures. This will also be supported via absence management clinics and management information provided by the quarterly Workforce Assurance Dashboard to inform this, to enable managers to operate effectively.
Continue to promote About You discussions across the Corporate Core to ensure that workforce development needs are identified and align these where possible to an available apprenticeship standard to draw down and maximise monies from the apprenticeship levy. Ensure that the focus remains a priority on apprenticeships and drive up the numbers through senior management commitment across the directorate. This approach will be aligned to turnover and retention to focus energy in the relevant areas. In summary the focus for the Corporate Core will be:

- Continue to engage with our staff directly through dedicated communications events, senior manager blogs and commitment to set up service specific intranet pages.
- Ensure that our Senior Management Team promote and demonstrate the Our Manchester behaviours across the Directorate.
- Focus on strategic workforce planning to support services to develop innovative resourcing strategies to both attract and retain talent and future proof services through active succession planning.
- Skills development for all staff to reflect systems transformation including the development of career pathways that model reformed roles.
- Continue to reduce reliance on agency and consultants and ensure that we develop the required talents in house to deliver the services.
- Development of leadership, focus on further development of the managers and leaders for the future.
- Respond and develop areas to address the key themes that arise from the B Heard survey and share and promote these through B Heard working groups to ensure staff feel listened to and valued.
- Listen to and value staff opinions and continue to engage in strengths based conversations.
- Learning and development, development of staff, aligned to career pathways, building up a pool of talent.
- Promote Our Ways of Working to keep the workforce engaged.
- Maximise the use of the apprenticeship levy and graduate recruitment and link to succession planning.
- On-going communication to ensure staff are fully engaged and on board with the priorities.
- Ensure that quarterly Workforce Assurance Dashboards are embedded in the services and used to improve and implement strategies in all areas of concern such as management of attendance and casework.

Workforce Priorities

The focus for the Directorate will be to ensure that the activity undertaken supports the agreed workforce priorities. These are:

- Continued development of the Our Manchester approach and ensure that this is embedded in everything we do.
- Completion of Workforce Development Plan - including service specific requirements, soft skill development via ‘Open to All’ and any statutory and mandatory requirements captured in one plan.

- To understand and respond to the outcomes of the B Heard survey and agree action plans to address key themes that arise with the aim of continually improving the employee experience and ensuring our staff feel listened to and that their opinions are valued.
- Embed the leadership and management framework and ensure all relevant staff have attended the programmes by 2020.
- Increase the number of apprenticeships to provide career development for staff.
- To maximise the opportunity of the apprenticeship levy through Strategic Workforce Planning, development, succession and talent management
- To develop our people and skills across the directorate to provide excellent service delivery and knowledge based advice in all areas
- Continue to develop staff through 'Grow Your Own' approach.
- Promote a strong performance management approach and ensure that managers have the right tools and level of resilience to drive this.
- To use staff conferences to promote staff engagement and strong communication.

5. Strategic Risk Assessment and Register

ID	Theme	Risk Description	Risk Owner	Existing Key Controls and Sources of Assurance	Risk (current) Impact x Likelihood	Areas for Key Actions and Deadlines
1		**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. *(Cross cutting risk for Strategic Risk Register)*	City Treasurer	Robust regular process of budget setting and budget monitoring in place with assessment of key financial risks. Reporting to DMTs and SMT; Executive and Scrutiny Committees	4x4=16 High	Budget reports 2019/20 to Scrutiny, Executive and Council (City Treasurer): March 2019
2		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.	Deputy Chief Executive	Corporate Plan published Business Planning Process in place Staff engagement through LIA, OM and Our People Events Senior Leadership Group and Summits Corporate Updates to all staff via Team Talk, Buzz and	4x3=12 Medium	Programme of internal communications on corporate and business planning (Director of Communications): Ongoing Publication of Directorate Business Plans (SMT): March 2019

		(Cross cutting risk for Strategic Risk Register)		Forum. Reporting to SMT and BPPG; Executive and Scrutiny.		
3		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. *(Cross cutting risk for Strategic Risk Register)*	Chief Executive	Brexit Preparedness Group Head of Policy attendance and feedback from GM Brexit Group Reporting to Council Resilience Forum and SMT Engagement via GM Brexit governance arrangements and though AGMA Civil Contingencies and Resilience Unit.	4x4=16 High	Directorate Brexit risk and report to SMT (COO Neighbourhoods): February 2019 Pan GM Planning Session: February 2019 Directorate risk and response assessments: (COO Neighbourhoods): February 2019 Risk assessment in budget planning assumptions and reports (City Treasurer): March 2019
4		Changes in **senior leadership** impact adversely on the capacity	Chief Executive	Roles and responsibilities confirmed through SMT.	3x4=12 Medium	Core Personnel Committee Report (Chief

		and capability required to promote and sustain positive organisational change and transformation.				Executive): January 2019
5		Loss of required **<u>access to ICT</u>** systems impacts on the ability to operate services and deliver to Manchester residents. This could arise from risks relating core infrastructure (network and applications), hardware obsolescence (WYSE terminals) and system availability (unsupported systems, insufficient licenses).	City Treasurer	Transfer to HCI technology in data centre to improve resilience of core infrastructure. Corporate and Service Business Continuity Plans and robust incident management process in place. Programme of planned ICT investment with reporting to ICT Board, Capital Strategy Board, SMT, Executive and Scrutiny.	4x3=12 Medium	Completion of Data Centre Programme to address disaster recovery and improve resilience (City Treasurer and Director of ICT): September 2019
6		Actual **<u>organisational culture</u>** does not develop or align to stated expectations and aspirations to be a consistent high trust organisation with a highly motivated and engaged	Deputy Chief Executive	Our Manchester Programme Our People Strategy Listening in Action and Our Manchester Experience Our Manchester Service Self Assessments and behaviours	3x4=12 Medium	Communications, Bheard Action Planning and focused work with Senior Leaders (Deputy Chief Executive, Director of HROD and Director of

		workforce at all levels that embraces the principles of Our Manchester and Our People. (*Part of cross cutting workforce risk for Strategic Risk Register)*		framework and toolkit. Reporting to SMT, Executive and Resources and Governance Scrutiny		Communications: Ongoing Development and delivery of Core Transformation Programme (Deputy Chief Executive, City Treasurer and City Solicitor): Ongoing
7		Organisation-wide **skills and capacity** in core managerial and technical disciplines (commissioning, finance, risk management, HR etc) are insufficient to ensure that services can manage and transform core activities in line with organisational expectations and requirements. (*Part of cross cutting workforce risk for Strategic Risk Register)*	Director of HR/OD	Leadership and management training programmes in place. Refreshed staff handbook including guides to core policies. Reporting to Governance and Assurance Group, SMT and Resources and Governance Scrutiny (including HR Sub Group)	3x4=12 Medium	Leadership briefings via NW Employers (Director of HROD): From February 2019 Development and delivery of Core Transformation Programme (Deputy Chief Executive, City Treasurer and City Solicitor): Ongoing
8		Failure to achieve the desired and intended outcomes of **health and social care integration** increases further pressure on Council and health budgets; and	Chief Executive	Joint business and budget planning with MHCC and MLCO. Active senior leadership	4x4=16 High	Review of system wide assurance framework with health and Council audit and risk providers (City Treasurer): February 2019

		impacts on the ability to achieve improved health outcomes for Manchester residents. *(Cross cutting risk for Strategic Risk Register)*		engagement in HSC governance with MHCC and MLCO. Risk managed at SMT level with DASS and other Chief Officers. Reporting to Executive, Health and Wellbeing Board and Health Scrutiny Committee.		
9		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. *(Cross cutting risk for Strategic Risk Register)*	City Treasurer	Professional Procurement and Commissioning Teams in place to support services in effective management of procurement lifecycle; including supplier due diligence. Contract management register and risk assessment in place.	3x4=12 Medium	Bankruptcy / Liquidation Policy to enable consistent response to supplier failure (City Treasurer): April 2019 Programme of commissioner and contract manager training (City Treasure): Ongoing

10		Inconsistent understanding and expectations of the **role of the Core** increases demands of services to deal with roles and functions that should be / could be better governed and managed in part or in full within other directorates and services.	Deputy Chief Executive City Treasurer City Solicitor	Core Transformation Programme underway to support identification and delivery of sustainable savings and an effective, coordinated Core focused on key priorities	3x4=12 Medium	Development and delivery of Core Transformation Programme (Deputy Chief Executive, City Treasurer and City Solicitor): Ongoing.
11		Lack of **capability and capacity in the Core** to lead and engage effectively in development, support, challenge and assurance activity impacts on ability to of Core to drive and support organisational reform, transformation and change as well as operation of effective systems of governance, risk management and control. Includes capacity to support early and effective influence and engagement in key areas such as financial planning, project governance and change programmes including health and social care. (*Part of cross cutting workforce*	Deputy Chief Executive City Treasurer City Solicitor	Our People Strategy and associated Core Workforce Development Plan. Bheard action planning to support increased motivation and engagement. Prioritisation and Risk Assessment processes in place across services.	4x4=16 High	Core prioritisation approach to be reviewed as part of Core Transformation Programme (Deputy Chief Executive, City Treasurer and City Solicitor): Ongoing

		risk for Strategic Risk Register)				
12		Inability to deliver required **<u>savings attributable to the Core</u>** due to interdependencies with the actions of other directorates and with other Core services.	Deputy Chief Executive City Treasurer City Solicitor	Core Business Plan and Budget 2019/20 Core Transformation Programme underway to support identification and delivery of sustainable savings and an effective, coordinated Core focused on key priorities.	3x4=12 Medium	Development and delivery of Core Transformation Programme (Deputy Chief Executive, City Treasurer and City Solicitor): Ongoing.
13		Current or proposed **<u>ICT systems</u>** essential to business operations and legal compliance are not implemented or maintained (due to being out of support and lack inherent resilience) due to limitations in capacity within services and ICT and overall availability of financial resources	Deputy Chief Executive City Treasurer City Solicitor	Prioritisation process via Core ICT Board, ICT Board and Capital Strategy Board. Senior sponsorship of critical or flagship projects with robust governance.	4x4=16 High	Regular review and refresh of projects via Core ICT Board (Deputy Chief Executive, City Treasurer and City Solicitor): Ongoing Senior sponsorship of critical or flagship projects with robust governance.
14		**<u>Organisational alignment</u>** is not sufficient to ensure the Core is engaged and can collaborate in business change at an appropriate stage which results	Deputy Chief Executive City Treasurer	Directorate priorities set out in business plans. Forward plan of Directorate priorities in some areas such as ICT and as part of Forward	3x4=12 Medium	Development and delivery of Core Transformation Programme (Deputy Chief Executive, City

		in developments that do not align efficiently with Directorate priorities, systems and processes. For example Liquid Logic / Controc.	City Solicitor	Plan.		Treasurer and City Solicitor): Ongoing

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Manchester City Council
Report for Resolution

Report to:	Neighbourhoods and Environment Scrutiny Committee - 6 February 2019 Communities and Equalities Scrutiny Committee - 7 February 2019 Executive - 13 February 2019
Subject:	Neighbourhoods Directorate Business Planning: 2019-20
Report of:	Deputy Chief Executive

Summary

This report sets out in broad terms the directorate's key priorities, key activities and both the revenue and capital strategy for 2019-20. In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.

The draft business plan which was considered by the committee in December 2018 has been further developed based on the comments received from the committee and the outcome of the local government finance settlement. Sections on the directorate's impact of proposed changes on residents, communities, customers and the workforce have been included in addition to a summary of the technological support to deliver change. A full suite of delivery plans can also be found as an appendix including the Finance, Performance, Workforce and Equality Plans and the Risk Register.

Taken together, the directorate business plans show how the directorates will work together, and with partners to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Committee is invited to review and comment on this directorate Business Plan.

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	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 in preparation for the draft revenue budget submitted to the Executive on 13 February 2019.

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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 Plan: 2017/18 -2019/20 - Executive – 8 February 2017

- Growth and Neighbourhoods Budget and Business Planning: 2018-2020 - Executive – 7 February 2018

1. The Directorate Business Plan

1.1. The Directorate Business Plan is set out from section 2 below and includes:

- A description of the contribution that the directorate makes to delivery of our Corporate Plan priorities
- The directorate's vision and objectives
- A self-assessment of the directorate's key challenges for 2019/20
- The revenue strategy
- The capital strategy/programme
- Impact on Residents Communities and Customers
- Impact on the Workforce
- Technological Support
- An appendix containing the directorate's delivery plans (Finance Plan, Performance Plan, Workforce Plan, Equality Plan, and the Strategic Risk Assessment and Register)

2. Delivering Our Plan

2.1. The **Our Manchester approach and behaviours** are at the heart of how we work and what we do. As a directorate we are committed to putting people at the centre of everything, recognising that people are more important than processes, procedures or organisational boundaries. We are committed to listening, then learning, responding to the needs of our residents and staff and creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves.

2.2. The Neighbourhoods Directorate has a pivotal role to play in delivering the Council priorities of **working with Manchester's communities to create and maintain clean, green, safe and vibrant neighbourhoods that Mancunians can be proud of.** Additionally, we will ensure that we **connect Manchester people with places through good quality roads** and our work to ease congestion in the city will actively contribute to **improved air quality**.

2.3. 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 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 maybe homeless.**

2.4. Libraries, art galleries, leisure centres, parks, play areas and events all support our **children and young people, to be happy, healthy and successful; fulfilling their potential and contributing to their educational attainment.**

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 progresses our ways of working and strives to **reform** and identify efficiencies in our estate to reduce our carbon footprint.

3. Vision and Objectives: Making Manchester a Great Place to Be

3.1. Residents have told us that we need to get the basics right as well as aspiring to be a city amongst the best in the world. Creating places where people want to live which are clean, green, safe and vibrant; are healthy and inclusive and have an excellent sporting, economic and cultural offer is key to delivering our plan. In March 2018 the Highways service, responsible for the both the maintenance of the highway and the infrastructure investment strategy to enable flow and movement across the city, joined the Neighbourhoods Directorate to further strengthen the connection of people to places.

3.2. Our universal services provide vital support to all residents across the city but we also programme targeted provision to support our priority groups. Libraries, art galleries, leisure centres, parks, play areas and events all deliver a range of activities to engage our diverse communities. They provide safe spaces and encourage every Mancunian to have a healthy and active lifestyle. A range of opportunities are provided for residents to volunteer, develop new skills and gain employment and apprenticeships. Staff are also encouraged to take advantage of all the opportunities available to them to be the best they can be.

3.3. Integrated neighbourhood management is well established; creating the right conditions for residents to participate and take responsibility for themselves and their community whilst encouraging others to do the same has been a central feature of the Directorate’s work and we will continue to work in partnership with key stakeholders both within the Council and beyond such as housing providers, the Police, voluntary and community sector organisations and health to further strengthen and enhance this work.

3.4. The Directorate works directly with colleagues in Strategic Development in the planning and delivery of new neighbourhoods making sure these meet the needs of our diverse and complex communities. As the managers of place our services frequently experience an increase in demand for services, whether this is our regulatory functions or waste collection as the population and economy grows. The directorate works proactively in partnership with businesses, residents and partners to make sure our services develop and respond to local needs to deliver neighbourhoods people want to live in.

3.5. Together with the other Directorates of the Council, The Neighbourhoods Directorate will deliver the shared vision and objectives set out in the Our

Manchester Strategy and Our Plan. The specific objectives for Neighbourhoods are:

Neighbourhoods: Clean, safe and vibrant, improving air quality

- Maintain and build confidence in Manchester's reputation as a vibrant, destination city through the opportunities presented by its diverse cultural, sporting and leisure offer, together with its civic functions as a focus for residents and visitors;
- Proactively support Manchester residents to lead happy, healthy, active lifestyles and promote community cohesion through our programmes of activity in culture, leisure and libraries; widening participation and increasing volunteering opportunities;
- To protect the public, the environment, consumers and workers through enforcing the law in a fair, equitable and consistent manner, assisting businesses to meet their legal obligations and taking firm action against those who flout the law or act irresponsibly;
- Enabling local businesses to thrive by achieving high regulatory standards through engagement, support and education;
- To work with partners to counter the impact of extremism in all its forms, reduce the risk of individuals being drawn into terrorism through the implementation of Prevent and embrace new responsibilities for the Safeguarding programme (Channel) across Greater Manchester;
- Support local businesses and residents to maintain and develop thriving district centres with appropriate retail, amenities and public service offer;
- Contribute to population, economic and residential growth by ensuring that housing developments are supported by local services, an attractive neighbourhood, good highways and public transport infrastructure;
- Work with residents and other stakeholders to deliver a refreshed Waste Strategy in line with the national 25-year Plan to Improve the Environment and Waste Strategy;
- Increase recycling rates and support residents to 'recycle right' and reduce waste, with particular emphasis on properties with shared containers including apartments and dense terraced areas where recycling rates are currently lower (average of 10%);
- Reduce litter and fly-tipping through improved use of technology, resident and business education, engagement and action, and enforcement; and
- Reduce CO_2 emissions through a combination of local action, including delivery of the Green and Blue Infrastructure Strategy, Parks Strategy and the Tree Action Plan, and influencing national policy on energy and transport;
- Alongside other partners in the City, to contribute to the City's recently adopted target of becoming carbon neutral by 2038 and contribute to the development of a draft action plan to be considered by the Council in March 2019 and a final plan by 2020;
- Work alongside the other Greater Manchester authorities and Transport for Greater Manchester to develop and implement a Clean Air Plan designed to ensure that the City addresses the health impacts of poor air quality by achieving compliance with national and European agreed air quality standards in the shortest possible time.

Connections: connect Manchester people and places through good quality roads

- Continue to improve the condition of the highway, contributing to improved travelling conditions across the city, through the successful delivery of the five year planned investment programme;
- To reduce congestion and improve the flow of traffic travelling in and out of the city centre through the delivery of Manchester and Salford Inner Relief Route (MSIRR);
- Improve connectivity, improve traffic flow and contribute to the clean air agenda through the delivery of other major road schemes such as the Hyde Road pinch point scheme and the Princess Parkway/Mancunian Way junction improvement;
- Provide healthy transport alternatives and reduce greenhouse gas emissions supporting the clean air agenda through the delivery of major new cycle and walking routes delivering the Beelines vision and supported by the Cycle City Ambition Grant;
- Promote exercise, improve health and wellbeing and improve cycling and road safety skills for young people through the bike-ability scheme which will continue to be delivered to schools;
- Work with Transport for Greater Manchester to utilise the new powers in the Bus Services Act to reform the delivery of bus services in the city and seek to ensure future bus services better meet the needs of local residents and businesses;
- Continue working with partners to support and actively encourage grassroots life-long learning and involvement in road safety, including raising awareness with children and parents.

Growth that Benefits Everyone: Pathways to Good Quality Job Creation for Residents

- Ensure that employers at a neighbourhood level are engaged in shaping and contributing to skills development of both their existing and future workforce, including increasing the number of apprenticeship opportunities and delivering their Corporate Social Responsibilities, contributing to the social value strategy for Manchester; and
- Maximise employment opportunities for Manchester residents by encouraging employers to pay the Manchester Living wage and provide good quality work; leveraging, in particular, where the City Council has a strategic development, planning, procurement or commissioning role.

Young People

- Lead the work with key partners at a strategic and neighbourhood level to ensure that Young People in Manchester are enabled to access the range of universal and, where appropriate, targeted services to ensure they have every opportunity to be safe, happy, healthy and successful, fulfilling their potential.

Well Managed Council: Make the most of our resources

- Maximise the use of our asset base and identify new opportunities within the scope of our Commercial Strategy to maintain and increase income and deliver an improved offer for our residents;
- Through intelligent commissioning and improved contract management continue to maximise opportunities to reduce cost and increase social value;
- Make best use of digital technology and transformation to provide a better more efficient service to our residents through the effective implementation of a new Digital Experience Programme (DxP) which includes a new customer relationship management (CRM) system ensuring the successful integration with other existing systems; and
- Work collaboratively with partners to embed integrated public service/ neighbourhood management through 'Bringing Service Together for People in Places'. Make best use of combined resources, a connected workforce to reduce demand on targeted services and deliver the best possible outcomes which meet a range of local needs (domestic abuse, homelessness, health and wellbeing etc.).

Our Manchester behaviours and approach

- Create the right conditions for residents to be more actively engaged and demonstrate Our Manchester through participation and taking responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups; and
- Supporting staff to be the best they can be by listening, understanding and responding to key messages from the B Heard survey, providing regular engagement opportunities and investing in training, development and career progression opportunities.

4. Self-Assessment / Key Challenges

4.1. In order to facilitate and support the delivery of these priorities for the City and its residents, the Directorates will also need to address some key challenges. The quality of our highways, number of potholes and gully cleansing remains a priority for our residents, road resurfacing is now happening at a greater scale, this work is progressing through a 5 year £100m investment programme. Members have previously agreed the year three programme of works with some minor changes to reflect how the road network has, in a small number of areas, deteriorated rendering preventative treatments inappropriate. Resources are in place to deliver this from both the highways team where capacity has been increased over the past year and our contractors where we have a number of frameworks available. It is recognised that there is a backlog of work in this area and this is being addressed as an urgent priority. So far, this year 43 roads have been resurfaced; preventative/ pre-treatment repair work has been completed on a further 24 roads and 3 footways have been reconstructed.

4.2. Waste and recycling is also one of the largest budget areas for the Directorate but we are pleased to have achieved our highest overall levels of recycling (39%) and lowest levels of residual waste over the last 10 years. However, as the City grows there is an increased demand for these services which need to be managed. We are continuing to improve performance focusing on areas of lowest performance (i.e. recycling in apartment blocks) 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 - therefore education and engagement remains pivotal in changing behaviour. This will be achieved by working together with Keep Britain Tidy via the ‘Keep Manchester Tidy’ Partnership and a ‘Litter Taskforce’ made up of communities including young people, businesses and public bodies. The City will continue to take a robust approach to enforcement to underpin this approach.

4.3. Similarly, growth of the City and businesses increases the demand for our enforcement and regulatory services. This together with changes in legislation such as mandatory licensing of Houses in Multiple Occupation also put new demands on the service as ICT systems need to be amended or created, and new staff recruited. There are particular pressures in respect of food safety, regulating allergen controls and inspecting imported food at Manchester airport and difficulties in recruiting suitably qualified staff.

4.4. 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 and The Neighbourhood Service has 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, Integrated Neighbourhood Management, Greater Manchester Police, Housing Providers and the Local Care Organisation, in 12 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.

4.5. Visits to libraries (over 3m), galleries (c.624k), and sports and leisure centres (c.3.2m) over the period October 2017 to September 2018 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. We recognise that our world class offer also contributes to the vibrancy of the City and our neighbourhoods and we will be working with colleagues in Performance and Intelligence to identify new performance measure which reflect this.

4.6. Within the current three year budget planning period the Directorate is performing well and is on track to deliver the 2018/19 approved savings of £3.335m. In 2019/20 there are an additional £4.575m savings already approved within the budget, and further savings proposals have been identified to support the overall Council budget position, and these total £0.376m. The proposed savings 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.

4.7. Enabling the workforce to be resilient, effective, creative, ambitious and innovative through embedding Our Manchester Principles and developing a culture of trust, honesty and empowerment is critical and we are committed to plan for the future workforce. There is a commitment to ensure staff are equipped with the skills and knowledge needed to be able to work in an Our Manchester way. To date, 576 Neighbourhood's staff have attended the Listening in Action events, and 238 have attended the Our Manchester experience. The directorate is also on target to deliver 18 apprenticeship starts in 2018/19.

4.8. The workforce within the directorate is stable and reliance on agency staff has decreased. We are supporting our managers through Our Manchester Leadership and Raising the Bar training, of which 42 and 120 staff have completed respectively. The sickness absence is near the organisation average and most services have seen an increase in Return to Work (RTW) interviews being conducted by managers.

4.9. It is essential that we continue to embed the Our Manchester approach and behaviours throughout the workforce and in the services approach to delivery. The Directorate continues to deliver a programme of engagement activities including large scales staff conferences and service specific away days. The most recent staff conference, delivered jointly with Strategic Development, focused on 'Our Manchester in Action' was well received by staff with 73% of attendees providing feedback, 97% were satisfied with the event and 88% said it was relevant and helpful for their job. The staff engagement survey results from 2018/19 placed the Directorate firmly in the 'One to Watch Category' and revealed that employees wanted greater opportunity for development; the Workforce Development Group meets on a regular basis and is on target to fully spend its budget in 2018/19 to meet these needs.

4.10. A challenge for the directorate is communicating and engaging with front line staff that have limited or no access to work emails and work computers. It can also be difficult to ensure such staff have easy access to training (especially e-learning modules) and to keep abreast of news and developments in the Council. The roll out of the Universal Access project is going some way to address this by providing access to online systems and resources, to date 495 frontline staff have received training. Also, increasing productivity amongst staff within the Directorate will be dependent on adopting learner support systems and processes (ICT, HROD, and Finance) which enable efficient working.

5. Revenue Strategy

5.1. Neighbourhood Directorate has a gross budget of £151.950m, and a net budget of £71.530m with 1,441 FTEs. The breakdown by service area is provided in the table below:

Table 1: 2018/19 Base budget

Service Area	2018/19 Gross Budget	2018/19 Net Budget	2018/19 Budgeted Posts
	£'000	£'000	**(FTE)**
Neighbourhood Management	2,968	202	3
Waste & Street Cleaning	18,183	12,586	10
Waste Levy & Disposal	17,751	16,712	0
Parks, Leisure & Events	14,902	5,025	92
Grounds Maintenance	4,247	3,129	103
Neighbourhood Investment Fund	640	214	0
Community Safety & Compliance	13,389	9,653	253
Libraries, Galleries & Culture	12,085	8,859	265
City Co.	234	234	0
Core Cities	446	52	4
Development Fund	374	0	0
Neighbourhood Teams	2,479	2,479	51
Total Neighbourhoods	**87,698**	**59,145**	**781**
Traded Services	22,961	(3,483)	412
Directorate Support	841	841	17
Highways Service	40,450	15,027	231
Total	**151,950**	**71,530**	**1,441**

5.2. The 2018/19 cash limit budget is £71.530m and this is net of the £3.355m savings approved as part of the 2018/19 approved budget. The Directorate is on target to deliver the approved 2018/19 savings, and in response to the requirement to look to reduce costs wherever possible to support the wider

Council budgets, the directorate is forecasting an underspend of £0.688m in 2018/19.

5.3. As part of the original 3 year budget proposals there are additional approved savings proposals of £4.575m already agreed for 2019/20 and a summary breakdown of the approved savings over service area is provided in the table below:

Service Area	**Description of Saving**	**2019/20 £000's**
Parks, Leisure and Events	Reduce contract costs and energy savings	300
Business Units	Increasing bereavement services service offer	60
Waste Management	Planned service Change and reduced waste disposal costs	4,150
Highways Services	Review costs of vehicles and increased fee income	65
	Neighbourhood Service Total	**4,575**

5.4. 2019/20 is year 3 of the three year budget strategy, the Directorate has continued to work towards delivering the priorities that were identified as part of the service offer. The original priorities are also aligned with the Council's Corporate Plan. Positive progress has continued and further details are set out below:

5.5. **Waste and Street Cleansing**

5.5.1. Investment in recycling facilities in apartment blocks during 2018/19, has had a positive effect on increasing collection of recycling and reducing residual waste. Further work is planned for 2019/20, to improve communal facilities in dense terraced areas to make it easier for residents to recycle.

5.5.2. Review of school collections has led to the implementation of a system which benefits all Manchester schools, for which the City has responsibility. Efficiencies in this service has ensured achievement of the savings target in 2018/19.

5.5.3. Properties with their own recycling bins (157,000 households) have a recycling rate in excess of 50%; across the City overall recycling increased to 39% in 2017/18. This has already reduced the projected costs of disposal by around £9m in 17/18 and £14m against costs previously projected for 2018/19 and will continue to help reduce the costs of the waste levy going forward.

5.5.4. Investment in new technology will help support improvements in the litter bin service.

5.5.5. Cleanliness of our streets remains a key priority for residents, businesses and visitors to the City. During 2018, Keep Britain Tidy undertook an independent survey (Local Environment Quality Survey) to measure how clean the City is. The results show that Manchester is performing better than the national survey in litter and detritus; and comparable in graffiti and fly posting.

5.5.6. The procurement of a new waste and recycling disposal contract for Greater Manchester, which has been led by GMCA, will support the achievement of savings targets in 2019/20.

5.5.7. Residents also value our green spaces which has been demonstrated through the successful Manchester in Bloom, a joint initiative between staff, residents, partners and businesses and where 154 awards were achieved this year.

5.5.8. An external review of the Waste and Street Cleansing contract has been undertaken, and this indicated that the existing contract represents good value for money. Work is ongoing with the contractor to ensure that the service is as effective as possible.

5.6. **Parks, Leisure and Events**

5.6.1. In response to the budget consultation, continuing our investment into high quality leisure and library facilities for residents remains a priority. Work has been completed on investing £8.6m into the full refurbishment of Moss Side Leisure Centre and Library, and plans are developing for the replacement of Abraham Moss Leisure Centre and Library with a new facility commencing in 2019/20.

5.6.2. A coherent strategy, policy and planning framework for the future of the City's Parks and Playing Fields has been embedded. £200k of new income streams have been identified from the implementation of the Pay and Display at Heaton Park and from implementing contracts such as catering and concessions. Furthermore, additional events have been secured for 2019/20, which will be piloted - these events and other income streams associated with cafes are anticipated to generate a further £163k in 2019/20. This additional revenue will be utilised to deliver the objectives set out in the parks strategy, such as raising standards and increased costs such as ongoing maintenance.

5.6.3. Parks Investment has been channelled into the Somme Memorial and to the Southern Play Area at Heaton Park to ensure that the site continues to progress as a regional visitor attraction. Work to restore Wythenshawe Hall is also progressing, alongside the continued role out of investment into various parks, which has resulted in improved play areas, drainage and grounds maintenance.

5.6.4. The MCR Active Card has surpassed its target for the first 12 months for Sport and Leisure with over 88,000 people signing up. Any service users with the card are receiving up to 30% discounts off leisure provision. The card is providing important data about how our services are being used and help inform the design of future services to meet the needs of our diverse communities. £1.5m of new funding has been secured to fund pilot revenue projects that will grow participation in sport and physical activity. These projects will commence in early 2019/20.

5.6.5. Supporting residents into employment has been supported through the Manchester Volunteer Inspired Programme (MCRVIP) which trains and deploys volunteers at our great sporting events and physical activity sessions across the city. Over 300 volunteers joined MCRVIP in 2018 taking the total to 6,232 people, equating to 77,264 volunteering hours.

5.6.6. Libraries remain vital community facilities enjoyed by a range of residents. In 2017 over 10,000 children joined the library as every child is now gifted a library card at their birth registration. The 2017 Summer Reading Challenge proved to be the most popular so far with more children and adults reading. Longsight Library had to order an urgent delivery of children's books to avoid running out for 4-11 year olds.

5.6.7. Ensuring the City retains its reputation for cultural and sporting excellence is a major factor in driving growth and the visitor economy. 2017 involved the largest Manchester International Festival to date, Manchester Art Gallery achieving its highest visitor figures and the Christmas Markets being the largest in the country.

5.7 Neighbourhood Management

5.7.1. Driving forward Our Manchester approaches to resident engagement at a neighbourhood level to strengthen capacity within communities to help reduce demand on services. Bringing Services Together for People in Places is enabling organisations right across the city to work in a more integrated way, putting an Our Manchester approach at the heart of the way activity is delivered.

5.7.2. Work with partners to further develop integrated models for neighbourhood delivery building on the models already in place in key areas across the city. The City Centre Integrated Neighbourhood Management (INM) approach is now well established and the additional resources which followed the City Centre Review are now being deployed to address the key priorities; rough sleeping/begging; anti-social behaviour; waste management/street cleansing and wider compliance and enforcement work. Significant improvements have been achieved through INM with very close working between the rough sleepers team, Licensing and Out Of Hours team and Anti-Social Behaviour Action Team (ASBAT) to ensure that an assertive outreach approach is taken to help people sleeping rough to get support but also to address any enforcement issues such as detritus associated with street drinking, rough sleeping and ASB. There is strong partnership working in the night time economy with GMP including programmed visits to licensed premises and close working with voluntary organisations including Street Angels who have started to provide additional safe haven support (aimed at the student population), street pastors and the launch of drinkaware crews in 4 city centre bars.

5.8 Compliance and Community Safety

5.8.1. The Community Safety Team continue to support the delivery of the Community Safety Strategy both citywide and in local neighbourhoods. The partnership is working towards alignment with the Bringing Services Together approach and has started to develop partnership arrangements across the 12 areas to support closer working in those localities. We continue to work with partners and communities to address their concerns, in particular issues around serious violence and to prevent individuals from being drawn into crime and exploitation through positive intervention and prevention.

5.8.2. The role out of Operation Dovetail has seen responsibilities for the management of Channel referrals transfer from the police to Local authorities in the North West. Manchester will host a small team supporting this work in Greater Manchester.

5.8.3. The approach to Compliance and Enforcement focuses on the priority issues for our residents and supports the valuable work of our neighbourhood services. The focus on waste enforcement remains a key priority. We have seen a slight decrease of 8% in the percentage of legal notices served from April - December 2018. Some of this is due to the changes in the type of waste offences we are seeing (e.g. there has been an increase in builders rubble being dumped which is far less likely to have evidence amongst the waste than general household waste) and we are also seeing more evasive tactics such as use of false number plates or unregistered vehicles used in committing offences. This is also impacting on prosecution levels as a significant amount of time is invested in trying to gather evidence on cases that don't reach court. We are also seeing an increase in offenders failing to appear at court and the court having to issue warrants which again delays cases getting to a conclusion. Private Sector Housing is another key priority area. From October 2018 there were changes to Houses in Multiple Occupation (HMO) licensing legislation which is likely to require in the region of 5000 additional properties to be licensed as HMOs. A further successful bid to Ministry for Housing Communities and Local Government has enabled our proactive rogue landlord work to continue and housing enforcement notices have increased by 50%.

5.8.4. The successful multi agency activity in Strangeways to address counterfeiting and other criminality is continuing to make inroads to the issues including the first ever closure order secured in Strangeways preventing a business from opening for 3 months. Significant successes are being achieved in taking enforcement against Shisha businesses who are breaching the Health Act 2006 through allowing customers to smoke in enclosed spaces. The Licensing and Out of Hours team in conjunction with Planning colleagues are taking action to prevent businesses operating illegally. This is a serious public health issue due to the harmful effects of smoking Shisha. In 2018 42 FPNs were served for Breach of the Health Act, 3 prosecutions and 268 Shisha pipes seized.

Savings Proposals 2019/20

5.9. Street Cleansing Waste Collection and Disposal - Savings £4.15m

5.9.1. As part of the original 2017-20 budget, savings of £5.8m were approved from a combination of reduced disposal costs through increased recycling rates and savings from the procurement of disposal services. £350k of savings are expected to be achieved in 2018/19, and a further £4.15m will be delivered in 2019/20.

5.9.2. The £4.15m will be delivered as follows; £3.9m through a reduced levy charge because of a combination of reductions in the level of waste sent for disposal (£0.9m) and (£3m) proposed to be achieved through the re-procurement of the waste disposal arrangements and a further £250k through continued behaviour change in apartment blocks.

5.9.3. The **£0.9m of savings are to be delivered through the ongoing increase in recycling** leading to reduced residual waste. Changes in household behaviour has been encouraged following the service change and the roll out of smaller residual waste bins.

5.9.4. The Greater Manchester Combined Authority exited the PFI contract arrangement in 2016/17, and work has been ongoing to re procure this contract. The new contract is expected to be in place by June 2019, and it is expected that this and **revisions to the inter authority arrangement will deliver savings of £3m in 2019/20.** Given the change in the recycling market and the risks around the procurement outcomes there are risks around this proposal and the outcome of this will be known following contract award (March 2019).

5.9.5. Following the introduction of smaller bins there was a significant shift in residents recycling behaviour, with households recycling c£50% of their waste. The rates of recycling in apartments is lower than households and prior to service changes in 2018/19 the average rate was c10%. Work commenced with building managers and landlords to encourage increased recycling rates. The changes are planned to deliver savings of £0.5m, and this was phased £250k in 2018/19 and £250k in 2019/20. The work is progressing well and the initial £250k is expected to be achieved, work will continue across the City in order to further increase rates in apartments across the City.

5.10. Sport and leisure - £300k

5.10.1. The new sport and leisure contract commenced on the 1st December 2018, as part of the procurement process income growth was built into the contract, and this was forecast to deliver £0.650m savings, split £0.5m 2018/19 and £150k in 2019/20. Following tender evaluation, the approved savings remain on track to be delivered.

5.10.2. Further savings of £150k are approved for 2019/20 through a combination of more efficient operation and reduced duplication in the Leisure contract and increased collaboration across Greater Manchester, along with reduced energy costs within the existing indoor leisure buildings.

5.11. **Traded Services - £60k**

As a result of the continued focus on customer service and investment in facilities, the bereavement service has continued to grow the income generated. £120k savings were approved for bereavement services, and this was split equally over 2018/19 and 2019/20. Bereavement services continues to overachieve on its income target, and the £60k increase for 2019/20 is likely to be achieved.

5.12. **Highways Services - £65k**

Highways services is undergoing a service improvement programme, savings of £478k were approved and delivered in 2018/19, and a further £65k is planned for 2019/20 this is to be achieved through a combination of increased fee income in the design team and reduced vehicles costs.

5.13. **Additional Proposals - £0.376m**

As part of the ongoing work to support the Council budget position the Directorate has identified further proposed savings of £0.376m, and these are summarised in the table below, with more detailed narrative included below.

Service Area and Proposed Saving	**£000's**
Neighbourhoods Service Increase in income from fees and charges	156
Review of Supplies and services across the service	100
Replacement of agency staff	40
Highways Review of plant, equipment and vehicles	5
Highways Increase fee income	40
Highways Increased fees and charges	35
	376

5.14. **Increased Fees and Charges - £156k**

As part of the annual review of services and the associated fees and charges that are administered by services, opportunities have been identified to increase income by £156k, this is made up of £14k increased income from inspection and £142k through increased fixed penalty receipts for littering offences. The proposed increase has been already been included on the key decision forward plan and was not subject to call in. The increased charge for penalty charge notices came into effect 21st January 2019 and the forecast increased income is based on current levels of FPN receipts income, and may reduce if behaviour changes.

5.15. **Neighbourhoods - £100k**

As part the work to identify additional savings to support the overall corporate position additional savings of £100k will be achieved through reducing general supplies and services budgets across the Directorate.

5.16. **Highways Agency Staff - £40k**

As part of the ongoing Highways Improvement Programme work is being done to review the resources required going forward to deliver an effective service, it is proposed that all agency posts will be reviewed, and if possible long term agency posts will be replaced with permanent City Council staff. This is forecast to achieve cost savings of £40k.

5.17. **Review of Plant, equipment and vehicles - £5k**

Work commenced during 2018/19 to review all ongoing costs for hiring plant, vehicles and equipment and an exercise was undertaken to off hire any plant that was being underutilised. Part year savings of £5k were realised in 2018/19 and a further £5k will be realised in 2019/20 to reflect the full year effect of the changes.

5.18. **Highways Increased Fees and Charges Income - £75k**

It is proposed to increase income generation within the Highways service, this will be achieved through a combination of increasing the current charges for permits and other charges (£35k), and increasing the level of contribution towards overheads generated through fees charged against capital schemes by the Highways design team.

5.19. **Identified Pressures - £0.755m**

As part of the budget work two areas of activity are experiencing increasing demand for the service, but in the current climate it is not possible to address the increased demands and service standards may suffer going forward. A summary of the two areas is set out below.

5.20. **Fly tipping - £0.5m**

Additional resources of £200k were approved in 2017 to address the issue of fly tipping and requests for clearance have reduced by 0.8%, but requests still remain 16% higher than 2 years ago and the incidences of commercial fly tipping have increased. In order to introduce new tactics to address the ongoing issue of fly tipping, and ensure that the increase in commercial fly tipping is tackled additional investment of £0.5m is proposed. This will allow £300k investment in improving the street environment and introducing measures to deter commercial fly tipping. The remaining £200k will be used to fund additional resources, including 3 FTE’s that will seek to work with businesses to ensure commercial waste is disposed of appropriately. The impact of this work will be evaluated to determine the outcome of the work, and this can then be used to look at how this is funded going forward if required. As part of the work programme discussion will be had with Greater Manchester Waste Disposal Authority to look at what opportunities there are to ensure commercial waste can be disposed of.

5.21. **Food, Health & Safety and Airport - £255k**

Since 2016 the workload of the Team has increased significantly in 2 main areas: imported food controls at Manchester Airport and regulating allergenic ingredient controls in food businesses. This has put significant pressure on the team resource and could potentially pose public health risks and reduce the team's contribution to supporting economic activity. It is also important to note that the additional functions of Health and Safety and Food Standards have lacked investment in staff resource for several years and the new posts created in 2016 were created purely to address the issue with the food hygiene programme not being completed. The costs of the proposal are £295k, of which £40k has been identified from within existing resources, it is proposed to provide investment of £255k to fund the increased staffing resources of 7 FTE's required to address the increased demands.

5.22. **Investment and Other Changes - £24.027m**

5.22.1. In order to facilitate changes in the waste contract there was a transfer in 2017/18 to allow the waste disposal authority (WDA) to increase revenue spend by £77.1m, because the additional costs of this were funded through the Districts the Transport Levy was reduced on a one-off basis to provide districts with the necessary financial capacity and this is reversed in 2019/20. The Neighbourhood Service budget is increased by £21.445m to reflect this adjustment.

5.22.2. Other adjustments of £2.582m are proposed for 2019/20, these are in respect of £0.5m growth to fund the continuation of the ongoing street cleaning programme that was trialled in 2018/19, and a net adjustment of £2.082m to reflect the mainstreaming of budgets in Neighbourhood services that were previously funded from reserves.

Table 2: 2019/20 proposed changes and revised budget

	Approved MTFP						
Service Area	2018/19 Net Budget	Approved savings	Investment and other changes	2019/20 Net Budget	2019/20 Identified pressures	2019/20 Recovery proposals	Proposed 2019/20 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Neighbourhood Management	202			**202**		(100)	102
Waste & Street Cleaning	12,586	(1,150)	2,582	**14,018**	500		14,518
Waste Levy & Disposal	16,712	(3,000)	21,445	**35,157**			35,157
Parks, Leisure & Events	5,025	(300)		**4,725**			4,725
Grounds Maintenance	3,129			**3,129**			3,129
Neighbourhood Investment Fund	214			**214**			214
Community Safety & Compliance	9,653			**9,653**	255	(156)	9,752
Libraries, Galleries & Culture	8,859			**8,859**			8,859
City Co.	234			**234**			234
Core Cities	52			**52**			52
Development Fund	0			**0**			0
Neighbourhood Teams	2,479			**2,479**			2,479
Total Neighbourhoods	**59,145**	**(4,450)**	**24,027**	**78,722**	**755**	**(256)**	**79,221**
Traded Services	(3,483)	(60)	0	**(3,543)**	0	0	(3,543)
Directorate Support	841	0	0	**841**	0	0	841
Highways Service	15,027	(65)	0	**14,962**	0	(120)	14,842
Total	**71,530**	**(4,575)**	**24,027**	**90,982**	**755**	**(376)**	**91,361**

6. Capital Strategy / Programme

6.1. The capital programme for The Neighbourhoods Directorate amounts to £238.9m, 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 can be found in the Capital Strategy and Budget report for Executive in February:

Programme	2018/19 £m's	2019/20 £m's	2020/21 £m's	2021/22 £m's	Future Years £m's	Total £m's
Highways	37.8	57.2	45.8	30.8		**171.6**
Environment	1.3	7.4				**8.7**
Leisure	9.7	17.5	13.1	8.8	8.2	**57.3**
Libraries	0.7	0.6				**1.3**
Total	**49.5**	**82.7**	**58.9**	**39.6**	**8.2**	**238.9**

6.2. During 2018/19 work on the projects under the Highways Investment Plan have progressed, with works to carriageways, footways and bridges undertaken. Work is ongoing to review how traffic flows on Hyde Road can be improved taking on board the aspirations of the Walking and Cycling Commissioner to include facilities to support more people to walk and cycle. Work has commenced on the Inner Relief Rd to increase capacity, and on Great Ancoats St. The installation of LED street lighting is progressing well, and is programmed to continue into 2019/20. Proposals are being developed to use some of the energy savings to fund the installation of LED lighting in the non-PFI lighting estate being brought forward.

6.3. Within the Environment budget there is the continuing provision to support efficiencies within the waste contract by replacing some of the waste vehicle Fleet.

6.4. Feasibility studies are being undertaken to determine the scope of works as part of the Parks Improvement Plan, it is expected that options will be brought forward once studies are complete. The projects will support the wider Parks strategy, and look to increase the efficiency within parks by generating additional income. Works at Moss Side and Abraham Moss leisure centres have progressed, with Moss Side now reopened.

6.5. The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive does provide information on the expected future investment requirements for the Council, including investment in Highways to support the major regeneration projects such as the Eastern and Northern Gateways, further investment from the GM Mayor's Fund to support walking and cycling initiatives, and works to the libraries estate.

7. Impact on Residents, Communities and Customers

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

7.2. The Directorate is proud of its contribution to the Council's re-accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorate's equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment. In 2017 the Directorate established an Equalities Working Group which is responsible for ensuring progress against the Directorate delivery plan and corporate priorities. The Group has met regularly and developed a new model of working to ensure consistent delivery against these priorities. This work is set out in detail in the Equalities Delivery Plan, attached.

7.3. The directorate is committed to securing social value through its commissioning and procurement processes. The Highways service has developed a social value manager post to develop these relationships with partners and also working with neighbourhood teams to identify specific opportunities to benefit the immediate areas impacted by highways works. These opportunities range from volunteering to using partners' machinery to improve public realm or local parks. Working with the corporate Social Value Working Group the directorate will continue to refine the definition of social value, clarifying this for partners, actively monitor contracts, learn from the initial social value projects, and develop a framework for assessing the collective additionality generated through social value.

8. <u>Impact on the Workforce</u>

8.1. Current options, if taken forward, will not result in any direct workforce reductions (except those relating to TUPE transfer).

8.2. A number of service areas are exploring and implementing new delivery models including:

- Parks - large restructure to implement a new model of delivery with an increased focus on commercial skills to generate income.
- Highways - a new Target Operating Model is being developed on the basis of increasing the core permanent workforce and drawing in additional capacity as required during peaks in workload or whereby specific technical skills are required and it would not present value for money to recruit on a permanent basis. It should be noted that whilst the strategy is to shift the balance of consultants and increase the permanent workforce there will always be a need for consultants. However, a key difference will be that engagement will be for specific time bound periods, effectively managed and there will be a focus on skill transfer ensuring value for money of the engagement.

- Sports and Leisure - the service are transferring approximately 26 staff from the Leisure team to MCR Active with an expected transfer date of 1 April (subject to confirmation).
- Grounds Maintenance - the business model implemented in 2017 included an offer of efficiency retirement which was accepted by 17 Grounds Maintenance Operatives resulting in a reduction of staff. Current and future grade 3-6 vacancies will be held in order to convert full time posts to part time hours which will be offered to people on ILM paid placements via Manchester College and replace contractor costs. This allows an opportunity for succession planning and provides important pathways into employment opportunities for Manuncians who would otherwise be unemployed.

8.3. Key priorities for 2019/20 will include:

- The b-heard survey results 2019/20 revealed a positive increase for scores relating to 'My Manager' factor. The Directorate is keen to ensure it builds on the strong and positive relationship between staff and managers and will continue to ensure all managers attend the Our Manchester Leadership and Raising the Bar programmes.
- The b-heard survey also highlighted challenges with team work in some service areas, therefore the workforce development group will look to ensure all teams have tailored activities available to improve teamwork and cross service collaboration.
- 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 creates great accessibility to many local residents who may otherwise have barriers to accessing the employment market.

9. <u>Technological Support</u>

9.1. The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from both a Council and GM perspective. Additional ICT investment has been agreed as part of the three year budget strategy and a five year capital plan with 2019/20 being the third year of this investment programme.

9.2. During 2018/19 ICT investment has been made in the areas listed below. The initiatives are a mixture of systems to underpin departmental transformational agendas, the implementation of fit for purpose systems or to establish compliance in line with the ICT strategy:

- Allotments Application
- Leisure Volunteer Management
- Libraries Transformation
- Open + at Withington Library
- Ward Boundaries Change

- ArcGIS upgrade
- FLARE GDPR
- Universal Access phase 1.

9.3. Key priorities for 19/20 will include:

- Continuation of the Leisure transformation project. This initiatives makes use of technology to transform the operation of the service to improve efficiencies, improve the customer experience and move more residents into physical activity.
- Working collaboratively with partners to embed an integrated public service offer (e.g. through joined up ICT applications). This work will be closely linked with the development of the Public Service Hubs and the one public estate.
- Continue the delivery of Open + as part of the Libraries 2020 programme.
- Planning, designing and delivering the new Digital Experience Programme (which includes a new CRM) which will support a number of front line, neighbourhood based services and transform the way that that the Council transacts with residents and businesses.
- Procurement, design and delivery of the replacement for the FLARE application. FLARE is the biggest application in use by the Neighbourhoods directorate so this is a significant piece of work.
- Aligned to the Highways Improvement Programme deliver a range of projects to ensure applications are supported and up to date and technology is an enabler to the wider transformation of the service.

9.4. The above projects are prioritised against directorate and corporate objectives. For example, through the adoption of new technologies for how we manage, engage and communicate with businesses ICT is helping to enable business start-up and growth. Working with Leisure and Library Services new technology is improving the amenities in local areas creating places where residents want to live.

9.5. ICT will continue to work closely with the Directorate in order to identify solutions that comply with the information and ICT design principles and to develop robust business cases to support their development.

Appendix 1 - Delivery Plans
1. Revenue Financial Plan

Table showing an overall summary of financial position

Subjective Heading	2018-2019 Budget	2019-2020 Indicative Budget
	£'000	£'000
Expenditure:		
Employees	47,923	48,153
Running Expenses	99,106	115,984
Capital Financing Costs	2,188	2,188
Contribution to reserves	11,925	11,475
Total Subjective Expenditure	161,142	**177,800**
Less:		
Other Internal sales	(9,192)	(9,179)
Gross Expenditure	**151,950**	**168,621**
Income:		
Government Grants	(3,814)	(4,201)
Contributions from Reserves	(15,446)	(9,656)
Other Grants Reimbursements and Contributions	(4,614)	(4,527)
Customer and Client Receipts	(56,545)	(58,875)
Other Income	(1)	(1)
Total Net Budget	**71,530**	**91,361**

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2. Performance Plan

Our Plan Priority	Objective	Indicator	2017/18 result	2018/19 target	2019/20 target
Neighbourhoods	Enable clean, safe, vibrant neighbourhoods	Number of fly tipping requests for service (CRM)	26,988	Trends monitored	
		Number of street cleansing requests for service (CRM)	9,315	Trends monitored	
		Street cleansing graded B or above	96% (2018)	95%	95%
		Visits to Galleries (MCC Galleries)	645,768	655,000	670,000
		Visits to Libraries (MCC Libraries)	2,955,448	Maintain or grow visitor numbers	
		Visits to Sport and Leisure Facilities (MCC Leisure)	3,414,605	3,448,751	3,483,239
		Victim Based Crime (GMP Business Intelligence)	77,924	Trends monitored	
		Anti-Social Behaviour Incidents (GMP BI)	22,355	Trends monitored	
		Total number of Neighbourhood Compliance Team resolutions (MCC NCT)	4,874	Not appropriate for targets	
		% of resolutions which were informal (MCC NCT)	85%	Balance of resolutions monitored	
		% of resolutions which were formal (MCC NCT)	15%		

		Number of Manchester residents registered to volunteer on MCRVIP (Cumulative total to date)	3,193	Trends monitored	
		Number of active volunteers registered on MCRVIP (Volunteered for 1 hour or more within the last 12 months)	1,065	Trends monitored	
		% of residents attending a cultural event (Active Lives Survey)	50.8%	There is no scheduled refresh of this data set	
		% of residents using a public library service (ALS)	40.7%		
		Adults doing < 30 minutes physical activity per week (ALS)	27.7% (Nov-16 to Nov-17)	Trends monitored	
		Adults doing 150+ minutes exercise per week (ALS)	62.2% (Nov-16 to Nov-17)	Trends monitored	
	Reduce greenhouse gas emissions and improve air quality	Volume of residual waste per household (MCC W&R)	437.94	Monthly targets for quantity of residual / recycling material set	
		Recycling rate (MCC W&R)	38.6%		
		Piccadilly/Oxford Rd NO^2 concentration ($\mu g/m^3$) (Air Quality England)	36/59 (2017)	40	40
		Projected CO2 % reduction against 2005 baseline by 2020 (MCCA)	37%	41% (by 2020)	
Connections	Improve public transport and highways, and make them more sustainable	Trips into the City Centre by means other than car in the AM peak (TfGM)	77% (2017)	Trends monitored	
		Patronage of buses, trains and Metrolink (millions) (TfGM) Buses Trains Metrolink	(2017/18) 194m 27m 41m	Trends monitored	

			(Rail patronage figure is provisional)		
		Total resurfacing work delivered (m2)	Tbc	Tbc	Tbc
		% of road network beyond mid-life grading (A, B, C, U roads - excl. footways) (GAIST survey)	27.1% (2018)	23%	21%
		Average number of minutes to travel to workplaces by car (for Greater Manchester)	28 (2017)	Trends monitored	
		Killed or seriously injured casualty rate on roads (per 1,000,000)	189 (2017)	Trends monitored	
		Killed or seriously injured casualty rate on roads involving cyclists (per 1,000,000)	Tbc	Trends monitored	
		Attendees at ‘bikeability’ cycling proficiency courses	Tbc	tbc	tbc
		% of journeys into city centre by bicycle	1.9% (2016)	Trends monitored	
Well managed council	Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours	Average days lost due to sickness per employee over a 12 month period	11.55	The Council aims to maximise staff attendance levels and move towards relevant sector benchmarks	
		Year to date agency spend (£'000s)	630	Downward direction of travel	
		Year to date % of apprenticeship starts against agreed commitment	144.2%	22	Tbc

		YTD % stage 1 corporate complaints responded to within 10 working days (target 96%)	85.07%	96%	96%
		Year to date % of Ombudsman complaints upheld (target 10%)	30.43%	10%	10%
		Year to date % of FOI requests responded to by day 20 (target 90%)	88.49%	90%	90%
		Year to date % of DSARs responded to by day 40 (target 90%)	99.24%	90%	90%

3. Equality Overview and Action Plan

Progress to date 2018/19

The Directorate supported the re-accreditation of the council as 'excellent' in the Equalities Framework for Local Government and has actively delivered against the corporate priorities. The Directorate has a good understanding of its communities and recognises that there are changing dynamics in the city as new communities emerge, and existing communities grow and change. The Manchester Active Card is a good example of how the directorate is finding new ways to gather information about customers who use Council facilities. This is also enhanced by the well-established cross service Widening Access and Participation Board that ensures opportunities to access and participate in leisure, libraries, galleries and culture and inclusive of all Manchester residents. the Libraries services has implemented Libraries Open Plus which allows residents increased access to library facilities through a self-serve offer, a full equality impact assessment (EIA) has been completed and ongoing usage will be monitored.

The existing ward coordination approach continues to provide some excellent examples of responding to the needs and opportunities identified by local communities and working together for early intervention, focusing on the solutions and supporting community cohesion. The Neighbourhood Investment Fund (NIF) is heavily promoted throughout the community and work will continue to focus on engaging as many new groups as possible. Bringing Services Together for People in Places will also test the boundaries of traditional working and will help services and organisations to share information and resources to provide a more neighbourhood / person centred approach to service delivery.

The new Leisure contract was successfully awarded in 2018 and the new operating model is now in place. A full EIA was completed and the service is implementing a review of its activity to ensure there is an accessible and representative offer for our communities. The project to increase recycling in apartment blocks was successfully rolled out and an EIA completed as planned. The project involved significant engagement with residents, management companies and building owners to ensure the needs of the residents were successfully met and has resulted in an increase in recycling. Last year's proposal to complete an EIA for the fine turf offer (bowling greens) was not completed however this was due to changes in proposed activity; following consultation with service users, planned service changes were not implemented and provision remained at a consistent level.

The Highways services fully recognises how its work can have a direct impact on the city's residents and ongoing consideration to these needs is embedded within the daily operations. Congestion relieving projects help improve air quality and improve health. Whereas public realm works, safer pavements in a better condition, improved resident parking and new LED street lighting all contribute to the safety of an area, support people with reduced mobility and encourage people to be social and active, improving health and well-being and tackling isolation and loneliness. Highways are now starting to complete Equalities Impact Assessments for each project.

2019/20 Changes and Activities

Proposed budget reduction will be implemented through service efficiencies and will not have a material impact on service provision. However there are a number of service changes which are due to changes in national policy, changing context and / or expanding an existing service provision. These will be subject to relevancy assessments and, if appropriate, full EIAs will be completed:

Proposal	Proposed EIA Completion Date	Decision Date	Senior Management Lead	Comments on initial potential impacts
Manchester Volunteer Inspire Programme	April 19	June 19	Chief Operating Officer Neighbourhoods	Extending volunteering to enable more residents to volunteer where they live.
School Catering	Oct 2019	N/A - no service change	Head of Commissioning and Delivery	Assess existing provision meets the needs of increasingly diverse customer base
Changes to Channel and Dovetail	September 2019	March 2020 following implement ation of pilot	Chief Operating Officer Neighbourhoods	Assess impact of revised model of delivery tested through pilot
Public Space Protection Orders	September 2019	December 2019	Chief Operating Officer Neighbourhoods	Assess impact of PSPOs on diverse communities (pending outcome of public consultation)
Refreshed Waste Strategy	December 2019	March 2020	Chief Operating Officer Neighbourhoods	In line with national changes, to ensure no resident is disadvantaged by the refreshed strategic approach

Passageway communal collection review	February 2020	March 2020	Chief Operating Officer Neighbourhoods	Improvements to existing communal sites and potential collection systems changes
New cycle and walking routes	tbc	tbc	Director of Highways Operations	New infrastructure projects meet the needs of diverse communities

Monitoring of the Delivery Plan

The Directorate's Equality Champion will update this delivery plan, Directorate Management Teams and the Corporate Equalities Champions Group each quarter. Progress on the delivery of this plan is also reported to the Communities & Equalities Scrutiny Committee. A directorate equalities working group which has been meeting for over 2 years with membership from each service area. The group manages the delivery plan, embeds equalities within ongoing service planning /delivery and also manages delivery against the corporate priorities. A new model has been developed which demonstrates the cyclical relationship between understanding our communities and customers, using this to inform our planning, implementing service delivery, and therefore engaging our diverse communities. An area on the intranet has been established to explain this model and provide a central place to share data, planning and guidance, and good practice case studies. These are all designed to deliver against the corporate priorities of:

Knowing Manchester Better: Take the time to listen and understand;

A central repository for demographic data has been established and shared via the city council intranet, providing easy access for all services.

Improving Life Chances: We own it and are not afraid to try new things;

Sharing best practice in service delivery through case studies and debating approaches to equalities planning and monitoring to inspire new practice across services.

Celebrating Diversity: Proud and Passionate about Manchester's communities

Work is beginning on a joint events and activities calendar to celebrate diversity and identify opportunities for better promotion, gaps in provision and/or areas of duplication.

4. Workforce Plan

This section sets out the workforce plan for Neighbourhoods, a directorate which is made up of a number of diverse service functions; from employees engaged in professional roles to colleagues undertaking manual work, therefore workforce priorities and development needs to be appropriately managed to meet workforce needs.

During the last year, Neighbourhoods transferred three service areas to Strategic Development (MAES, Work & Skills and Planning, Licensing and Building Control). It also transferred in Highways Service from Corporate Core. During August 2018, the Council communicated its budget position for the year in that there was a potential shortfall of around £13 million. As a result of the budget pressure, SMT implemented a new process to scrutinise all resourcing spend including external recruitment, new posts, consultant and agency spend and this has impacted on areas such as resourcing timescales and agency/overtime spend.

Workforce Strategy

In order to deliver the Directorate's contribution to the Corporate Plan along with the 'Our Manchester' approach, the priorities will focus on building key skills which are listed below:

- Leadership and Management Capability
- Strengths based conversations
- Customer Care
- Strategic Thinking
- Project Management
- Matrix Management and Partnership Working
- Commercial Skills
- Client and Contract Management
- Political Awareness

The Directorate will continue to promote About You discussions to ensure that workforce development needs are identified and align with the service plans.

<u>Our Manchester Approach</u>

The ‘Our Manchester’ approach provides collaborative and innovative approach to resident engagement. The Directorate’s aim is to develop a resident focused workforce including working with partner organisations, who understand and are accountable for the impact of their decisions and actions on the lives of residents using a ‘strengths based’ approach. The Listening in Action and Our Manchester Experience sessions will help build employees’ understanding of the approach.

Embedding Our Ways of Working (OWOW) in light of recent Timewise Accreditation

The Directorate will maximise flexible working practices in all service areas where possible to ensure it can attract a wide and diverse pool of talent allowing employees to balance their work life balance and taking into account personal needs (such as caring responsibilities).

Recruiting and attracting talent from Manchester residents (including apprenticeship opportunities)

The Directorate will identify positions to offer Manchester residents including apprenticeship roles and Intermediate Labour Market (ILM) opportunities from Manchester College. The introduction of the Apprenticeship Levy has provided opportunities for the Council to deliver apprenticeships in a totally different way. The Directorate has ambitious targets to improve the skills and employment of young people in Manchester as well as increasing technical, management and higher level skills of its own workforce. The Directorate will offer roles for all levels including those coming in at an entry level for unemployed Manchester residents through to higher and degree level apprenticeships for upskilling existing employees where there are skills shortages in the Directorate in areas such as Stone Masonry.

The Directorate has identified that there are roles in service areas that are difficult to recruit to and in to attract a wider pool of high quality candidates, the Directorate will review job design, explore different recruitment & assessment methods and review job evaluation to ensure the role is graded correctly to attract the best applicants.

Leadership and Management Development

The need to build management capability (and capacity) in areas such as conflict management, handling difficult conversations, improving motivation in the team and absence management are pivotal in delivering business plans. The b-heard survey revealed many comments from employees who believed their manager needed to take more robust action to tackle poor performance which was having a negative impact on the team.

Corporate leadership programmes such as ‘Our Manchester Leadership’ and ‘Raising the Bar’ will help facilitate management development. Coaching and mentoring opportunities will help managers to build skills on the knowledge learnt on the leadership programmes.

<u>Workforce Development Plan</u>

The Directorate has an active Workforce Development Group drawn from across its services. The Directorate will support encourage managers to ensure their team members have access to training, specifically mandatory and service specific development activity which allows services to develop commercial skills (e.g. in Trading Services) or provide new or improved services to residents and the community.

<u>Team Development</u>

The development of strong and high performing teams is a priority for Directorate and as such the Workforce Development Group will develop a suite of options to promote this including outdoor team building events, classroom style to competitive fun activities to suit different team learning styles.

Workforce Priorities

A summary of the Directorate’s priorities is provided outlined below.

The Directorate will:

- Work to ensure the Our Manchester approach is further embraced and adopted by all employees.
- Continue to develop leadership and management capability.
- Enable succession planning and development for employees by maximising apprenticeship opportunities (for new and existing employees).
- Understand and respond to the outcomes of the BHeard survey with the aim of continually improving employee engagement and satisfaction levels.
- Identify and deliver skills and training for the Directorate through the creation of a Workforce Development Plan to be in place by 1 April 2019. This plan will provide added value/complement the corporate organisational development approach.

- Improve and strengthen team working (including across service areas) to ensure the best possible service is provided to residents.
- Continue engaging employees and ensure there is strong communication with the workforce via the delivery of staff conference(s) and weekly Directorate broadcasts.
- Improve the operation of an agile workforce by the promotion of ‘Our Ways of Working’ and flexible working practices.
- Work to reduce employee sickness absence.
- Continue to reduce reliance on agency and consultants and ensure that the Directorate develops the required talents in-house.

5. Strategic Risk Assessment and Register

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions/ Progress	Risk Owner
1	Service Delivery	The Our Manchester Strategy and approach fails to drive resident and community behavioural change necessary to reduce dependency and foster neighbourhood improvements. Key strategic priorities are not delivered. This generates additional pressure on Universal services and affects the directorate's ability to deliver required budgetary savings.	Strategy clearly articulated and supported by major communications campaign. Key partner buy in in place and actions being developed collectively. Strategic roadmap and delivery plan are clear and provides framework for performance monitoring.	3	4	12: Medium	Activate and deliver programmes at a neighbourhood level targeted at the needs of communities. Twelve Neighbourhoods selected to test out approaches. Training and development of staff to equip them with the right tools to have different conversations with residents. Resident Engagement Approach in development. Programme has been developed into "Bringing Services Together for People in Places"	Deputy Chief Executive
2	Financial	Inability to maintain a balanced budget whilst maintaining critical services.	Monthly budget monitoring Performance reporting framework DMT Scrutiny and Programme Board tracks delivery of savings.	4	2	8: Medium	No additional actions beyond response to performance triggers and escalation as appropriate. Regular review and management of existing savings and emerging pressures have provided a strong position towards the end of the financial year 2018/19. This work will continue.	Deputy Chief Executive
3	Service	Communities and households do	Education,	4	3	12: Medium	Scrutinise progress for evidence of new	Chief Operating Officer

	Delivery	not engage with strategies to reduce waste disposal and increase capture of target recycling materials. Changes in the recycling markets result in strict application of the recycling specification which results in more rejected recycling loads. This results in increased financial liabilities through the waste levy and an inability to maintain recycling rates.	Engagement and Enforcement Strategy. Refreshed Communications strategy. More use of media for education. Targeted enforcement in areas of known non-compliance.				strategies delivering (Dec 2018 campaign to target contamination). Planned passageway container project in 2019/20 to improve quality of recyclate collected and refreshed communications. Work with Biffa to capture intelligence from the crews to target education, engagement and enforcement activity. GMCA procurement of the replacement contract to manage GM recycling and disposal facilities reset the recycling contamination levels at a higher rate to reflect current levels.	Neighbourhoods
4	Service Delivery (Corporate Priority)	The performance of the waste collection and street cleansing contract does not meet Council requirements or resident expectations.	Waste Management Strategic Board, G&N Programme Board, Performance Contract management Group, Neighbourhoods Scrutiny Committee, and significant partnerships register with associated assurance processes.	3	3	9 Medium	Ongoing review through agreed governance arrangements Plus additional interventions: - Bi-annual sessions to be established for Biffa / elected members to meet (2019). - Joint communications plan to be developed with Biffa to improve perceptions of the service.	Chief Operating Officer Neighbourhoods
5	Service Delivery	Re-procurement does not deliver expected savings - exposing all Waste Collection Authorities (WCA) to higher Waste Levy Costs than	CEX WLT have Established the GM Treasurers Group, Strategic Officers	3	3	9: Medium	Work with GM to Implement outcomes and recommendations from the GM Treasurers group as part of a wider GM Council response to the Waste Levy.	Chief Operating Officer Neighbourhoods

		planned.	Group and Review of Capacity Group to provide opportunities to exert influence and recommend change.				MCC Officers are supporting the procurement process. The final bids will be returned at end of December 2018. Financial analysis is expected to be available early January 2019.	
6	Service Delivery	Growth in residential housing cannot be absorbed by existing domestic bin collection rounds.	Waste Management Strategic Board, G&N Programme Board, Performance Contract Management Group,					Chief Operating Officer Neighbourhoods
7	Service Delivery (Corporate Priority)	Delivery of the City Centre Review fails to fully address issues around street cleanliness, rough sleeping, and begging, which impacts negatively on perceptions of the city centre as clean, safe, destination of choice for residents and visitors.	City Centre Accountability Board, performance reporting framework and contract management of street cleansing elements.	2	4	8	Significant progress made on addressing ASB and street environment issues associated with rough sleeping and begging through partnership operations and effective use of ASB tools and powers. Work currently taking place to assess whether a city centre PSPO should be pursued. Ongoing officer engagement with ward councillors	Chief Operating Officer Neighbourhoods
8	Service Delivery	Enforcement and regulatory services not able to meet the increase in demand caused by growth of the city or changes in legislation (mandatory licensing of Houses in Multiple Occupation and food allergens for example). Risk is aggravated by difficulties to recruit suitably qualified Env Health staff to fulfil these functions due to a	Service pressures are actively monitored and ICT systems amended/ created, and new staff recruited as necessary. Benchmarking with other local authorities	2	3	6: Low	Regular forward planning and review of resource implications and capacity issues. Growth Bid to be submitted to help address pressures.	Chief Operating Officer Neighbourhoods

		combination of nationwide shortage and competitiveness of salary.	to understand variations in pay, Graduate trainee position in place and apprenticeship standard in development					
9	Service Delivery	Business Continuity Plans both within Council services and the supply chain do not mesh to address all key reliance's and protect the delivery of essential services.	Majority of services have business continuity plans and many of these are tested individually. Experience in activating plans in response to corporate incidents.	4	3	12: Medium	Undertake a mapping and review exercise of all plans to test assumptions. Review contractor plans in the context of service plans undertaking a gap analysis to identify vulnerabilities A refresh of all Business Continuity plans was completed in 2017 and is due in late 2018/19	Chief Operating Officer Neighbourhoods
10	Workforce	Workforce development and apprenticeship offer does not progress at the required rate to ensure the Directorate has the skills and experience necessary to deliver against its objectives.	Workforce Development Plan Regular scrutiny and discussion at Workforce Development Meetings and DMT Directorate quarterly HR dashboard tracks progress of apprenticeships and	4	2	8: Medium	Regular communication to employees and service Ensure process to arrange development is easy, accessible and shared with service areas Maximise use of apprenticeship levy The full budget was allocated effectively in 2017/18 and is on track to be spent by end March 2019.	HR Business Partner

			workforce development spend. Monitor workforce budget spend throughout year				The directorate is on track to deliver the commitment of 18 Apprenticeship starts by March 2019.	
11	Service Delivery	Management of key contracts (e.g., Leisure) does not deliver the required products and services necessary to assure the delivery of business plan objectives and planned outcomes for the directorate.	Clear Governance in place to manage contracts Client functions embedded within services focussed on assurance Regular scrutiny of Performance taking place	2	3	6: low	Member review group to meet 6 monthly as part of the QA approach. Leisure contract changes on target to deliver required objectives and service quality. Contract & Commissioning Manager now in post to support the efforts of frontline contract managers. A robust Contract Register is in place to centralise the total value of contracts and manage service delivery. Guidance and training is in development to support contract managers.	Chief Operating Officer Neighbourhoods
12	Service Delivery	Unplanned mass events (mass protests, European football fixtures, or major incidents) disrupting residents, businesses and visitors and increasing demand on responsive services to ensure the city remains safe.	Flexible working models ensure responsive resources although stretched can meet the needs of the city.	4	2	8 medium	Revisiting Event Team deployment to ensure there is adequacy of resources to react and backfill priority work with external assistance.	Chief Operating Officer Neighbourhoods
13	Council Performance	Delivery of service development priorities and associated plans in Highways are not achieved within	Reporting to Executive and Scrutiny Committees,	2	4	8: medium	Recruitment to approved Highways staffing structures is progressing	Director of Highways Operations

		proposed timescales and budget resulting in inability to deliver Council priorities.	Highways Client Board Capital funding requirements set out in capital Strategy and approved through capital gateways				Performance reporting to Executive and Scrutiny Committees A Highways Improvement Board has been established providing additional oversight A Portfolio Board (fortnightly) to monitor capital gateways and revenue spend and forecasting	

Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee – 5 February 2019
Executive - 13 February 2019

Subject: Children and Education Services Business Planning: 2019-2020

Report of: The Strategic Director for Children's and Education Services

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Summary

This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20; within the context of the Directorate Business Plan for the period 2017-2020 and proposed savings. In addition, this report sets out both the progress made to date in delivering identified savings and focus for the final year of the three year plan; refreshing the Directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.

The draft Directorate Business Plan which was considered by the Children and Families Scrutiny Committee in December 2018, has been revised to take account of feedback received and outcome of the local government finance settlement.

In addition, sections on the impact of proposed changes on residents, communities, customers and the workforce have been added alongside a summary of the technological support to deliver change. A full suite of delivery plans can also be found as an appendix including the Finance, Performance, Workforce and Equality Plans and the Risk Register.

Taken together, the Directorate Business Plan comprehensively demonstrates how the directorate will work internally and with external partners to contribute to the delivery of the Corporate Plan and Our Manchester Strategy.

Recommendations

It is recommended that members consider the content of this report and comment on challenges, priorities and opportunities outlined in the Children and Education Services Directorate Business Plan.

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 2019/20 to be reported to the Executive for approval in February 2019.

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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's Services Budget and Business Plan 2018-20, Executive 7th February 2018

Update on Revenue Financial Strategy and Business Plan Process 2019/20 and Children and Education Services Business Planning: 2019-2020, Children & Young People Scrutiny Committee, 4 December 2018

1. The Directorate Business Plan

1.1 The Directorate Business Plan is set out from paragraph two below and includes:

- A description of the contribution that the directorate makes to delivery of our Corporate Plan priorities
- The directorate's vision and objectives
- A self-assessment of the directorate's key challenges for 2019/20
- The revenue strategy
- The capital strategy/programme
- Impact on Residents Communities and Customers
- Impact on the Workforce
- Technological Support
- An appendix containing the directorate's delivery plans (Finance Plan, Performance Plan, Workforce Plan, Equality Plan, and the Strategic Risk Assessment and Register)

2. Delivering Our Plan

2.1 The Directorate for Children and Education Services is responsible for the following services:

- Early Help
- Early years
- Education services
- Special Educational and disability (0 - 25 years)
- Youth, Play and Participation services
- Children 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.

2.2 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' **children and young people to be safe, happy and successful; attending a 'good or better' school.**

2.3 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**).

2.4 The priorities, guiding principles and behaviours of Our Manchester, run throughout all our 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.

3. Vision and Objectives

3.1 The 'Our Manchester' Strategy sets out the City's vision for Manchester to be in the top flight of world-class cities by 2025. Critical to the delivery of the vision is supporting the citizens of Manchester, which includes its children, young people and their families to achieve their potential and benefit from its improving economic, cultural, and social capital.

3.2 Manchester's Children and Young People's Plan - Our Manchester, Our Children 2016 - 2020 - translates the Our Manchester priorities and the 64 'we wills' into a vision that is focused on 'building a safe, happy, healthy and successful future for children and young people;' this means:

- All children and young people feel safe, their welfare promoted and safeguarded from harm within their homes, schools and communities.
- All children and young people grow up happy – having fun and opportunity to take part in leisure and culture activities, and having good social, emotional, and mental wellbeing. It also means all children and young people feeling that they have a voice and influence as active Manchester citizens.
- The physical and mental health of all children and young people is maximised, enabling them to lead healthy, active lives, and to have the resilience to overcome emotional and behavioural challenges.
- All children and young people have the opportunity to thrive and achieve individual success in a way that is meaningful to them. This may be in their education, or in their emotional or personal lives.

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

3.4 Our Manchester, Our Children' Plan (CYPP) sets out how the city intends to take forward the overall ambition and approach described in the Our Manchester Strategy and Locality Plan in relation to children and young people. This is a plan for children, not children's services. All partners and parts of the city have a role in supporting children and young people, not least families.

3.5 The CYPP Plan sets out priorities both for what is to be achieved and also how they will be achieved. It promotes a different way of working in the City, one which at its core forges a deeper understanding of children, families and local communities, listening to what they care about and working together to build upon their strengths in order to improve quality of life.

3.6 In order to effectively contribute to the delivery of the priorities set out in the CYPP Plan, during 2018 the Children and Education Services has been transformed into an integrated Directorate. The Children and Education Services Directorate has been 're-shaped and defined' to maximise leadership and management capacity to strengthen practice, partnership working and promote a strengths based approach so that together we reduce unnecessary demand and improve the lives of Manchester's citizens. The Children and Education Services Directorate Plan, "Delivering Excellence, Getting to Good" has been developed and sets out 7 key priorities (see below). These, in turn, will be delivered through service plans and strategies which define and describe how they contribute to Children and Young People's Plan priorities. The following priorities articulate how the Directorate is responding to identified risks, challenges and maximise presenting opportunities:

1. Increase the voice and influence of Manchester's children and young people.
2. Support and develop children's readiness for school and adulthood embedded in an approach to early intervention.
3. Everyone a leader - an empowered, capable and stable workforce; effective in the management of risk, Performance and planning for children.
4. Continually improve outcomes for all children, including looked after children (LAC)/children and young people with special educational needs or disabilities (SEND) and 'reduce the gap' against National.
5. Safely reduce the number of children looked after and/or in need of a statutory service.
6. Sufficient range and choice of high quality early years, school, college, youth play and care provision which provides value for money.
7. Lead the development of future arrangements for safeguarding partnership in response to legislative change.

3.7 The Children and Education Services Directorate remains focussed on delivering excellent services to children and their families through services that are safe, effective and efficient.

3.8 The delivery of the Directorate priorities, Our Manchester and Our Children Plan cannot be achieved in isolation, rather, by a strong partnership (internally within MCC and externally with our key partners) and facilitated through effective leadership and management at a locality level, Further, the development of programmes of activity and working with partner agencies in a targeted and system approach that delivers early prevention to reduce costs, better commissioning to reduce costs, making efficiencies where possible in service delivery.

3.9 The Our Healthier Manchester Locality Plan is moving from a focus on structures to a focus on our outcomes, our people, and our services. The following principles are in place to inform how this will be achieved across Children and Education Services:

- Focuses on person (child and family) centred outcomes across all sectors
- Improve communication and joint working; removing duplication
- Promote a culture of integration and inclusive approach cross a geographical area to achieve access to services in order for children and their families to receive a timely and 'right' intervention
- Lean pathways and leadership to support practitioners work effectively together

3.10 Manchester's Children's Services in partnership with the other nine Local Authorities were successful in a bid to the DfE Innovation Fund to develop and implement innovative evidence based models that have been successful in other parts of the country across the conurbation. Each of the 10 Greater Manchester Children's Services have been allocated £500k for implementation. Subsequently Children's Services currently engaged in the roll-out of two evidenced based approaches No Wrong Door and Achieving Change Together.

- No Wrong Door is an integrated service for adolescents with complex needs that brings together a team of specialists working together through a shared practice framework. The service works with young people to prevent them coming into care, and to support them to remain and/or move back with their families. In its first year in North Yorkshire children using the service of No Wrong Door spent 55% less time in care than those who weren't referred to No Wrong Door. The intention is to use the principles articulated in this evidenced based model to expand the reach and impact of Alonzi House resulting in further reductions in both expenditure on placements for children.
- Achieving Change Together (ACT) is a model aimed at reducing the impact and use of high cost placements, commonly associated with victims of the sexual exploitation of children. The model has shown some significant early promise in fewer young people being placed in high cost or secure placements, young people have reduced their risk factors and families are engaged and supported. The initial phase of staff training in Manchester is now complete and plans for a full roll out of the approach are well developed.

4 Self-Assessment

4.1 Manchester is a large, diverse and complex local authority region with is a growing child population; increasing by 22.6% between 2008 and 2018 and to projected to increase by a further 17.2% between 2018 and 2028. There are 190 languages spoken within our school age population,

4.2 In addition, there are too high rates of infant mortality, mothers smoking in pregnancy, poor dental health, child obesity, and low rates of immunisation take up compared to national averages.

4.3 Significant progress and success has been achieved since 2014, characterised by the Ofsted judgement in December 2017 that our services to children and young people looked after and those in need of help and protection are no longer inadequate. This progress cannot be understated and key highlights are summarised below:

- Strong and positive relationships with settings and schools in the City
- 95% Early Years settings judged by Ofsted to be good or better - 64% in 2014
- Strong Primary Schools with 91.7% good or better and improving Secondary school system with 61.5% good or better compared to 54.2% October 2017
- 92.7% children offered place at 1st preference primary school and 77% for secondary (highest since 2014)
- School attendance has continued to be better than national at both primary and secondary
- Improved school outcomes for 'our' children - better than nationally at all phases
- Young Manchester Trust established - increased youth and play fund; 58 organisations delivering over 100 projects
- Universal Early Years Offer across Manchester since 2015 - only GM authority and 3% in school readiness levels increase since 2016
- Early help making a difference - 81% of children benefitting with only 9% 'requiring a repeat intervention'
- Youth Justice Service inspected by HMI Probation in December 2018 and whilst judged to Require Improvement to be good - has made significant progress since it was last inspected; with 5 areas judged to be 'good'
- Manageable caseloads for social workers achieved
- Since April Manchester's looked after children population has increased by 0.6% The national trend has increased c3.9% annually
- Increasing number of internal foster carers (51/49%) split between internal and external and low comparative proportion of children in residential settings
- Staff motivated; working hard behind a vision to *build a safe, happy, healthy and successful future for our children and young people.* The 2019 Be Heard survey showed improved scores across the Directorate
- Reliance on agency staff has significantly reduced from 146 in 2016/17 to 41 as at December 2018 (expect most will be replaced by permanent staff as at March 2019.

4.4 Over recent years the Children's and Education Services budget has reduced in line with Council funding reductions with a net budget reduction of c40% since 2010. Following the publication of the Ofsted Inspection report in 2014 additional Council resources were invested into children's services, specifically related to improvements in the Statutory Safeguarding and Looked After Children's Services; and Early Help Services to drive improvements on an 'invest to save' basis. The investment programme has been spread over a number of tranches, based on the broadly aligned principle of investment in services to save on spend and to better respond to the needs of children and complexity of need(s). Each tranche of investment has focussed on specific areas of the service.

4.5 The first tranche of investment in 2015/16 was focussed on service areas out with the statutory social work service to provide effective leadership and management, divert unnecessary demand away children and their families from statutory services and create the capacity to better respond to those children who were in need to being 'looked after' by the council; which had been factors in Ofsted's inspection findings and judgements in 2014. This included investment in:

- Early Help / MASH
- Troubled Families (including Children in Need)
- Troubled Families - Families First
- Evidence based interventions
- Adoption
- Fostering
- Safeguarding management and capacity

4.6 The four key characteristics of the second tranche investment were more directly aligned to the need to build capacity in order to improve the practice within the statutory social work service in order to:

- Reduce and manage demand within the service more effectively
- Implement manageable workloads through increased productivity and extra frontline social work posts
- Implement a comprehensive performance and practice management system
- Achieve and maintain a stable, confident and competent workforce.

4.7 The plan was for the investment into early help and social work to be sustained from 2018/19 by recycling recurrent savings delivered though the reduction in the number of looked after children and a significant reduction in the use of external placements. This would be achieved by an overall reduction in the number of Children Looked After to c1000 by 2020 and meant that as the non-recurrent resources reduced, the placement budgets for 2018/19 and 2019/20 would need to deliver significant savings in order to provide the resource required to continue the spend on social work and early help services.

4.8 Whilst these kinds of improvement require a long term commitment to practice development, there are already a number of measurable impacts that can be attributed to the investment. A common indicator of improving practice is that families are less likely to repeat cycles of intervention through the social care system. When families do enter the system, they are more likely to receive the right help at the right time, and at the right level of intervention. There has been a 75% reduction in referrals to social care resulting in no further social work action compared with 2013/14. Notwithstanding this the number of requests for a social care intervention/referrals remain too high and as a result a programme of transformation has been developed. It is expected this programme will ensure children and their families continue to receive the 'right' service in a more timely way and reduce the unnecessary requests for a statutory social work service; this programme may require investment.

4.9 Where children's needs are more complex and require a statutory social work intervention, performance and assurance information indicates children and families are receiving a more timely service and are increasingly likely to have a better outcome. There are a number of positive improvements in compliance with practice expectations, which are well reflected through independent scrutiny of the service (peer challenge and Ofsted) which reflect the increasingly experienced, knowledgeable and capable workforce and will ultimately realise better outcomes for children and their families and reduce in the longer term overall spend. This remains a difficult challenge in the light of the demographic and complexity issues highlighted throughout the report. Securing a stable workforce with capacity for practitioners and managers to continually develop; of which 34% and 25% respectively are new to their current role and their learning and supported needs should not be underestimated.

4.10 The Directorate savings and transformation programme is ambitious; there are significant challenges which are arguably intrinsically linked to impact of welfare reform, demographics and wider public sector austerity measures. These are summarised below:

- Government funding for Troubled Families programme of £2m in 2018/19 and 2019/20 ceasing in 2020/21
- Impact of school funding reforms compounding a real term reduction in school budgets (national funding formula delayed to post 2021/22)
- Sustained high 'demand' for a statutory social work service
- PVI settings in council buildings withdrawing due to building maintenance costs/reduced funding
- Rising costs in the external care market experienced regionally
- Continuing increase in requests/need for a statutory Social Work Service, looked after children and leaving care placements
- Increase in the complexity of young person's population and numbers needing Education Health and Care Plan
- Continued pressure in schools 'high needs' funding block for children in need of specialist and additional learning needs.

4.11 All of the above must be considered within a national context of increasing need and financial pressures within and for Children's Services. In addition a changing regulatory framework which is aligned to Manchester's ambitions has an increased focus on the quality of social work practice and management oversight and ensuring the education system is inclusive within a 'school family' that is judged by Ofsted to be good or better and meets the needs of all learners. Consequently, it is important that Children and Education Services adapt, anticipate and respond to the challenges with purpose and focus. The recent Ofsted monitoring visit (October 2018) noted that "senior leadership has a good understanding of services strengths and of areas where quality and impact are not yet sufficient", demonstrating the strong basis in place to respond to these challenges.

5. Revenue Strategy

Introduction

5.1 This section of the Business Plan sets out the updated revenue budget plans for Children's Services for 2019/20. This is based on the draft Budget Proposals approved by January Executive and has been updated to take into account a recent independent external benchmarking review and proposed use of additional one-off funding made that is now available to the Council; including the recently announced one off Social Care grant. The strategy is to put the budget onto a realistic footing for 2019/20 given the local and national pressures being faced on Children's Social Care but also to progress the planning and associated activity to ensure adequate and effective investment into early help and interventions that deliver longer term achieve better outcomes and financial sustainability.

5.2 Over the next three months a plan will be developed that articulates the delivery of children's services locality delivery model, reduction of unnecessary demand and supports the progression of children's services to secure a 'good' inspection outcome from the future Ofsted Inspection of Children's Services. This plan will give due regard to the recent external benchmarking review, include details of how capacity can be released to enable the reserve to invest more in early help and prevention and to address the issues, needs and contributing factors which drive the persistently high referrals and re-referrals.

5.3 Additional one-off resources have been identified to go into a 'Social Care' reserve. The resources are summarised in the table below and will provide support to address the pressures across all budgets for social care as well as providing the capacity to take a longer term approach by investing in early help and prevention as outlined above. Clearly this is not a sustainable way of funding social care and a national solution needs to be found as part of the Spending Review process.

Table 1: Proposed Funding 2019/20 – 2021/22

Children's Social Care Proposed Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total over 3 years £'000
Sleep-In Allowance (one-off)*	700	700	700	**2,100**
GMCA rebate (one-off)*	2,300	2,300	2,300	**6,900**
MHCC/CCG additional contributions (tbc)	1,200	1,200	1,200	**3,600**
Social Care Support Grant 50%	2,277	0	0	**2,277**
Other Council Resources (through smoothing)	5,397	7,674	7,674	**20,745**
Total	**11,874**	**11,874**	**11,874**	**35,622**

1. Funding for years 2 and 3 to be held in a Social care Investment Reserve.
2. Proposed funding marked with * was the assumption behind the figures in the December committee reports.

Children's and Education Budget 2018/19

5.4 The Children and Education Services net annual budget for 2018/19 is £109.898m with 1,301 full time equivalent staff summarised in table 2 below:

Table 2: 2018/19 Base budget

Service Area	2018/19 Gross Budget £'000	2018/19 Net Budget £'000	2018/19 Budgeted Posts (FTE)
Children's Safeguarding	96,636	83,011	761
Education*	348,224	22,440	411
Directorate Core and Back Office	4,763	4,447	129
Total	**449,623**	**109,898**	**1,301**

*Education gross budget includes the Dedicated Schools Grant (excluding Academy Schools)

5.5 In March 2018 the 2018-20 budget recognised that tangible progress has been made regarding the quality and effectiveness of services being delivered to children and young people and requirement for a shift in resources from high cost reactive spend to investment which provides a safe and loving home (permanence) and early intervention and prevention. However the service is facing a number of financial challenges in responding to children in need of care and support. In addition, the national position has seen an increase in the number of children being looked after by local authorities and the numbers of children with increasing complexity of need. This creates an additional pressure in identifying and securing suitable care arrangements whilst at the same time delivering the savings in placement costs/budgets and within the required pace. Added to this, over the last three years the average cost of external residential has increased by over 60%. An allocation for inflation of £1m in 2018/19 has been agreed which will support the budget position on a recurrent basis.

5.6 The 2018-20 budget reported to Executive in February 2018 projected the level of need for children and young people would cost an additional of £19.6m over the period 2018-20. This was based on an estimate of care costs and further developments as a continuation of the existing strategy. Revised targets were set to safely reduce the number of children and young people requiring high cost placements during 2018/19 and 2019/20 which if successful would reduce costs by £12.6m over the period 2018-20. This left a remaining funding requirement of £7m which was provided for in the approved 2018-20 budget.

5.7 The position reported to Scrutiny in December 2018 was that whilst there has been significant progress in achieving the strategy, external residential numbers have not reduced in line with the plan and external foster care has remained at a similar level. Increased need is largely being met through the internal and external foster care service. There have been improvements in securing a 'permanent' arrangement for children through adoption and the increased number of Special Guardianship Orders (SGOs) meaning that for children where there is not plan to return to their birth parents, they are being provided with stable, safe and loving homes whilst new demand is being met more effectively and efficiently.

5.8 The national and regional context has continued to identify a growing pressure within Children's Services with the number and complexity in the needs of Looked After Children increasing. According to regional and national data supplied by local authorities to the Government in each of the past three years the sector has recorded overspends on children's social care services significantly increasing year on year. The Local Government Association response to a report on child poverty by the Joseph Rowntree Foundation identified significant pressures and challenges faced by many of the families and children to whom councils provide services. This included wider factors impacting on low income families compounded by the significant rise in the numbers of families with children in temporary accommodation, the growth of in-work poverty, lack of affordable homes and impact of welfare reforms.

5.9 Further work and an independent financial/benchmarking review has been undertaken to review the children's budget, its sustainability and the ambitious targets included in the 2018-20 budget for further reductions in external residential and foster care placements.

5.10 The review confirmed what was known which is Manchester has a large child and young family population and the socio-economic characteristics are amongst the most challenging in England. Notwithstanding investment since 2014/15, the level of expenditure on Children's Services in 2017/18 (25%) is average compared to metropolitan neighbour groups. In addition, the Children's Services budget overspend for Manchester in 2017/18 which was 12.5% was comparatively average to low when compared to the near neighbour groups. The analysis further identified that the Council has a low proportion of children in residential settings and a high proportion in foster and other community settings, although the number of children placed for adoption is below average. The high numbers of foster placements is reflective of the investment and drive to expand this service which has seen an increase of 50% since 2015/16.

5.11 The review reiterated Manchester has a very high rate of referrals and assessments and a higher than average rate of re-referrals. Safely reducing unnecessary referrals and assessments will be critical to re-directing scarce staff resources in the future and the fragile nature of Manchester's progression from 'Inadequate' to 'Good' will require a sustained funding commitment.

5.12 The review evidence suggests the increase in spend by the Council since 2014 is not exceptional, especially given the pressure of an 'Inadequate' rating in 2014. It was also recognised research evidence indicates following a negative Ofsted inspection, Councils tend to significantly increase spend, with budget stability and a de-escalation of funding commitment only achieved following a sustained, multi-year period as a consistently 'Good' service.

5.13 The benchmarking review concluded that whilst spending on LAC is relatively high, given the volatility of demand for Children's Services that the Council should set a sustainable budget which focuses on the improvement trajectory as the top priority. Further savings should be long term and based on realistic forecasts of future demand and activity. The recommended priority areas for funding were:

- Safely reducing referrals and assessments supported by a recommendation to invest further into family support, early help and prevention, where spend is low compared to 'near neighbour' comparative authorities. There is also the impact on the existing service from a reduction or ending of the Troubled Families funding from 2020/21 to plan for
- Managing demand risk for children looked after
- Commissioning and market shaping

5.14 Based current spend and commitments against the planned budget for 2019/20 that was approved by the Executive in February 2018 there is a potential budget shortfall of £13.25m. This is largely related to the challenge of realising the planned savings from placements as well as some new pressures. Whilst there is a need to put in place a realistic budget for 2019/20, the priority for the longer term is to release resources for prevention and early intervention. The following proposals are made for additional funding in 2019/20

External Residential

5.15 Following a significant reduction in external residential placements from 108 in 2011/12 to 78 in 2014/15, the placement numbers have stabilised over the last few years and are currently 81; which is proportionately 'low' when compared with comparator authorities. As referred to above, since 2015/16 the average cost of care has increased by over 60%. This is due to a combination of increased complexity in children's needs, the rising cost of the external market, which is being experienced across the region and country and cost of living price rises over the period. In addition, during the same period there has also been a significant reduction in internal residential placements from 88 in 2011/12 to 13 in 2018/19.

5.16 The 2018-20 budget included savings totalling £3.027m in 2018-20 from a reduction in residential placements to 50 by March 2019. As already indicated, the benchmarking review and analysis highlighted Manchester has a relatively low proportion of residential placements. This target is therefore not realistic. Subsequently the proposal is to remove savings targets relating to reductions in placement numbers and to provide sufficient funding in the budget for 80 placements.

5.17 The 2018-20 budget savings also included £1m commissioning savings in 2018/19 to be delivered through a framework contractual agreement in place that achieves a reduction in unit prices across a number of providers. In the current market savings of this scale are difficult to achieve and a new target of £400k for 2019/20 is proposed to be achieved through a focus on more effective market shaping management as per the recommendations from the review.

Foster care and Special Guardianship Orders

5.18 The independent review of the Children's Services budget plan identified the fostering service as a potential area for investment and further exploration. There has been a significant reduction in actual placements and spend on external foster care from an average of 646 in 2014/15 to 461 in 2018/19. The 2018-20 budget included savings totalling £5.628m from a reduction in placements. The review concluded that to base the budget on further reductions in external foster care placement would be high risk, but to continue to focus resource on growing the internal foster care capacity was the right strategy.

5.19 There has been an increase in internal foster care placements by over 50% following investment in 2015/16. The 2018-20 budget provided funding of £2.569m for an increase in the number of internal foster care placements The revised budget includes additional funding of £1.562m for increase in foster care which has already reflected in the budget for 2018/19, but will leave some capacity for further growth of c40 children in internal foster care capacity in 2019/20.

5.20 Over the period 2011-18 there has been a significant increase in the numbers of children made subject to a Special Guardianship Order (SGO), rising from 109 to 457. The current position is that the 2018-20 budget target for SGOs has been exceeded by 30. Whilst this is positive and indicative of the service's improvement, it has increased the pressure in the SGO budget by £121k in 2018/19 and an estimated £285k in 2019/20. It is proposed that £121k of the funding for internal foster care is allocated to the SGO budget in 2018/19 and £285k is allocated to meet estimated additional costs in 2019/20.

5.21 As part of the 2018-20 budget, following a review of the in-house fostering service, a £300k saving in 2018/19 was identified following benchmarking with other Councils. It was considered that social workers could reasonably manage with caseloads of 20 internal carers enabling posts in the service to be held vacant. However, it was recognised that if the planned increase in in-house foster carers was achieved rate there would need to be future growth of additional social workers to ensure the 'offer' is sustained and placement breakdowns are avoided. During 2018/19 it has been identified that funding of £285k in 2018/19 and £311k is required to adequately resource the service and this funding has been identified in the budget from the planned budget growth for in-house foster care.

5.22 Strategic commissioning continue to meet with key external fostering providers in order to ensure that discounts are given for long term placements and volume. Notwithstanding this, it is considered that planned savings for 2018/19 of £0.650m are high risk and should be removed from the 2019/20 financial plan whilst further work is considered on the approach to influence the market.

Early Help

5.23 The Early Help service has a gross annual budget of £8.7m which is supported by £2m of Troubled Families investment from GM through the Reform Investment Fund (RIF). This is a priority area for investment. As part of the 2018-20 budget it was planned to deliver £1m of savings in 2019/20 through the delivery of the Locality Model and deployment of resources from the MASH into locality teams to reduce the volume of referrals and achieve savings in both the capacity required and through reducing demand. This will complement the work on the integration of early help and early years and to develop the role of schools as leaders of the Universal Early Years offer in a locality.

5.24 There is a need to ensure there are sufficient and high quality early intervention and early help services in place. There is also the risk that there is no confirmation of funding for the Troubled Families programme beyond 2019/20. It is proposed to reduce the savings target from £1m to £500k in 2019/20 and to retain the saving for reinvestment within this area in line with the Children's Plan as set out in the introduction to the Resources Section of the Business Plan.

Legal Costs

5.25 The Legal Services recharge is projected to be £435k over the budget available in 2018/19 due the costs of legal capacity and court proceedings. The existing legal budget is from 2014/2015 based on case load average for care proceeding were at 145 - 150, the current caseload is averaging c200 cases. The budget proposals include additional funding to meet current costs for legal services.

Regional Adoption Agency

5.26 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 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 is responsible for recruiting adopters, family finding for children and providing support to adoptive families.

5.27 MCC staff transferred from the four Councils to Stockport and adoption services are delivered from three locations – Salford Civic Centre, Wythenshawe Etrop Court and Middlewich. The RAA cost to MCC in 2018/19 is £1.9m which is greater than the available budget by £200k. Identifying prospective adopters is a challenge nationally and to increase the number of adoptions opportunities for Manchester children it is necessary to invest in the RAA as the model for Manchester.

Child and Adolescent Mental Health Services

5.28 Child and Adolescent Mental Health Services (CAMHS) are commissioned by MHCC from Manchester Foundation Trust. The Council currently deploy three social workers to the MFT CAMHS service to support access for children looked after and have historically provided c£500k of funding to support the service, originally funded from the Early Intervention Grant which ceased in 2011. The contribution from the Council for CAMHS has continued to be funded at financial risk to the Council over the last few years. In preparation to reduce the contribution an equality impact assessment carried out in 2016 which concluded that if this funding were to cease there would be a reduction in service, with social workers not having access to CAMHS directly.

5.29 As part of the NHS transformation/Ithrive programme MHCC is developing a new specification with MFT for CAMHS, using the Ithrive model to focus on determining positive outcomes for all Manchester children. To maximise the impact there will be involvement from Children's social care to ensure the commission reflects best practice and statutory requirements under the Children's and Families Act. The new commission should extend the the current offer to children looked after, children and young people aged up to 25 and those placed outside of Manchester and care leavers. Any financial contribution required from MCC to the new CAMHS specification will be determined as part of the design, recognising the MHCC priorities for investment for the additional funding from NHS England for mental health services.

5.30 The specification is expected to be developed over the next few months and the new contract in place by September 2019. Funding of £500k is requested for 2019/20 to continue to contribute towards CAMHS and transition to the new contract, part of which will determine any long term financial contribution required from MCC from 2020/21.

Summary

5.31 Children's and Education Services current spend and commitments compared to the approved Medium Term Financial Plan (MTFP) for 2019/20 approved by the Executive in February 2018 would leave a potential budget shortfall of £13.251m. This is largely related to the challenge of realising the planned savings from placements. The proposals to reduce this pressure are:

- Planned savings for 2019-20 approved by Executive in February 2018 were £2.269m, the proposals in this report reduce these savings to **£0.690m** to be achieved in 2019/20.
- There are existing budget pressures totalling **£1.187m** relating to Special Educational Needs and Disability (SEND) home to school transport,

leaving care accommodation and adoption allowances. Service leads for these areas are developing recovery plans to manage within budget in in 2019/20 with progress tracked as part of the overall savings programme.

- It is anticipated based on the likely volume and cost of placements that MHCC could contribute a further **£1.2m** to the placement pressures based on the agreed three way funding split. This is above the £2.2m already committed by MHCC for existing placements and is based an estimate of what MHCC could contribute towards new placements from joint arrangements which started in November 2018. This contribution is an estimate of which to date c£500k has been agreed for a joint funding of specific placements over and above the £2.2m.

5.32 The remaining budget requirement would be £10.174m for Children's Safeguarding, proposed investment of £150k to improve Youth Services and re-investment of Early Help savings of £500k, a total of **£10.824m** for 2019/20. Of this £6.039m was included in December Scrutiny proposals and approved by Executive in January and £4.285m is a new proposal further to outcome of the review of budget set out above. To put in place a realistic budget for Children's and Education Services for 2019/20 the following proposals are made:

- Budget requirement for Children's of **£6.039m** as per the updated 2019/20 financial strategy proposed to Scrutiny in December 2018 and approved by Executive in January 2019:
  - Additional funding built into the LAC Investment Fund to further support the position over the next three to five years by **£3m** per annum (proposed to be funded for three years from GMCA rebate of c£7m and the release of the Sleep in provision of £2.1m).
  - Additional 2019/20 budget for Children's Services of **£2.263m**
  - The Directorate has identified further savings of **£776k** as recovery proposals.

- **Further proposed budget of £4.785m** to be met from:
  - **£4.135m** from 50% of the new Social Care grant (£2.278m) and £1.858m made available in 2019/20 from Council resources.
  - Investment of **£500k** to enable the Early Help savings to be retained for reinvestment as set out in paragraph 5.21
  - Proposed investment to improve youth services of **£150k**

5.33 Together with the £2.757m previously agreed investment for the Children's and Education Services 2019/20 in February 2018, this is total new investment **of £13.581m**.

5.34 Table 3 below shows the proposed 2019/20 budget of **£120.434m** as a result of the proposals in this report.

Table 3: 2019/20 proposed changes and revised budget

	Approved MTFP						
Service Area	**2018/19 Net Budget £'000**	**Approved savings £'000**	**Investment and other changes £'000**	**2019/20 Net Budget £'000**	**2019/20 Identified pressures £'000**	**2019/20 Recovery proposals £'000**	**Proposed 2019/20 Net Budget £'000**
Children's Safeguarding	83,011	-2,039	2,342	**83,614**	10,674	-686	**93,302**
Education	22,440	-230	415	**22,625**	150	0	**22,775**
Directorate Core and Back Office	4,447	0	0	**4,447**	0	-90	**4,357**
Total	**109,898**	**-2,269**	**2,757**	**110,386**	**10,824**	**-776**	**120,434**

5.35 The savings schedule in Appendix 2 provides the approved MTFP savings for 2018-20 and the revised savings as a result of the proposals in this report and summarised in Table 4 below:

Table 4: 2019/20 proposed savings

Children's and Education Savings	**Proposed 2019/20 Savings £,000**
Original 2018-20 savings	
Travel Co-ordination	-90
Review of Commissions	-100
Demand and Practice Efficiencies	-500
Approved 2018-20 savings	**-690**
New savings proposals	
Reduction in Use of Agency	-186
Legal Compensation budget underspend	-50
Information and governance existing underspend	-40
Review of further commissions	-100
Revised strategic commissioning savings	-400
New savings proposals	**-776**
Savings to manage existing pressures	
Supported Accommodation - Leaving Care	-309
Adoption Allowances	-145
Home to School Transport	-733
Total savings to manage pressures	**-1,187**
Total	**-2,653**

6 Capital Strategy / Programme

6.1 The capital programme for Children's and Education is predominantly focused on the creation of school places and the maintenance of the Council's school estate. A summary of the current capital budget is shown in table 5 below, and details of the individual projects can be found in the Capital Strategy and Budget report for Executive in February:

Table 5 – Children's and Education capital budget 2018-2022

£'m	2018/19	2019/20	2020/21	2021/22	**Total**
Basic Need	28.5	29.6	59.2	1.1	**118.4**
School Maintenance	2.3	5.3	3.0	3.0	**13.6**
Other	1.1	4.1	0.1		**5.3**
Total	**31.9**	**39.0**	**62.3**	**4.1**	**137.3**

6.2 Work has progressed in 2018/19 on the expansions of several primary schools, to increase the number of permanent school places at those sites. Funding has also continued to be provided to two secondary academies to complete expansions to accommodate permanent places.

6.3 Executive have approved in principle an initial sum of c.£20m to increase the number of places across the SEND and Alternative Provision estate, with future planning continuing to be based on the aspiration for integration of children and young people into mainstream provision. Work is underway to identify schemes and create a programme of works. This will reduce the unallocated Basic Need available. The remaining unallocated Basic Need funding will be used to fund new places as required across the next few years, dependent on school population forecasts, especially given that the Council has not been allocated Basic Need funding for at least the next two years.

6.4 School Maintenance funding is provided by Government, and is used to undertake significant maintenance projects such as re-roofing, re-wiring and heating works. A programme of works for 2018/19 was identified and has been undertaken, with some funding held to manage issues that may arise during the winter when maintenance issues tend to emerge. Future grant awards are indicative, and are subject to change.

6.5 Work is being undertaken to develop the place planning strategy for 2020 onwards, which will include the impact of future residential development, the Government's free school programme, potential sites for school development or expansion, and population projections.

7 Impact on Residents, Communities and Customers

7.1 Manchester has a diverse and rapidly changing population and it is important that the Council is able to manage its business priorities with due regard for the wide-ranging and complex priorities and needs of the City's residents. The business planning process helps the Council to consider and communicate how it will fulfil the requirements of the Public Sector Equality Duty in the development of its business priorities. The Council will continue to use its

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

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

7.3 Children's and Education Services deliver their 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 a individual assessment that gives due regard to their race, culture, gender, sexual orientation and disability.

8 Impact on the Workforce

8.1 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.

8.2 Overall, 'B Heard' results within Children's & Education Services has improved in comparison with last year; with the service being accredited as a One To Watch (OTW). Staff are feeling more engaged and feel more positively about their manager and the organisation. The 'B Heard' results have identified areas for focus for 2019/20 which are; the way team managers feel overall, staff wellbeing, how Locality Social Work teams and the Schools Quality Assurance and SEND teams feel overall. The service will develop a 'b heard' action plan aimed at addressing the key themes and areas for improvement over the next 12 months.

8.3 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 teams
- Ensuring professionals that work with children and young people have manageable workloads
- Continue to reduce the reliance on interim and agency workers

8.4 Key Workforce Reviews in 2019/20:

1. Children's Locality Model programme; moving from a focus on structures to a focus on our outcomes, our people and our services with partners;
2. Integration of Early Help and Early Years; delivering a local, flexible and easy to access service for children and families
3. Review of Access and Sufficiency; developing an effective and efficient service to support children with SEND;
4. Review of Youth Justice; increase in demand and change in policy, procedural and inspection landscape requires the service to be reviewed in the context of delivering a safe, effective and efficient
5. Front Door Reform: deliver a more effective and efficient 'front door' system

9 Technological Support

9.1 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from both a Council and GM perspective. Additional ICT investment has been agreed as part of the three year budget strategy and a five year capital plan with 2019/20 being the third year of this investment programme.

9.2 During 2018/19 ICT investment has been made in the areas listed below. The initiatives are a mixture of systems to underpin departmental transformational agendas, the implementation of fit for purpose systems or to establish compliance in line with the ICT strategy:

- Liquidlogic implementation - new social care system, better aligning to best practice in Children and Adults social care, supporting Manchester's integration strategy (e.g. system integrated with Health systems). System scheduled to be live in May 2019.
- Education system Re-tender - mandatory activity in line with OJEU procurement rules. This has presented an opportunity to reduce costs and improve functionality, with a focus on integration and data sharing with other systems, such as social care and health. Contract to be awarded to successful vendor in January/February 2019.
- Education system upgrades - regular updates to the Education system, ensuring that MCC remains up to date with new functionality, including those relating to statutory responsibilities.
- Leaving Care - ICT successfully delivered the migration of the Leaving Care service onto MCC systems and infrastructure (one outstanding

requirement to migrate data from Barnardo's to an MCC system which will be complete Feb-April 2019)

9.3 From a technology and systems perspective, the focus for Children's and Education Services in 2019/20 is as follows:

- Implementation of Liquidlogic.
- Integration between social care and education systems (procurement outcome will influence the scale of system integration).
- Adapt MCC systems to align with Children's services new operating model, including Complex Safeguarding and the MASH redesign.
- Support further developments in relation to Manchester's Leaving Care Service.
- Explore partner collaboration opportunities through use of digital and technology solutions (e.g. information sharing, referrals, flexible workspaces and connectivity).
- Develop Early Years digital solutions, reducing manual processes and streamlining processes.
- Work with schools (and their technology suppliers) to consider how they use technology to better integrate with partner services.
- Further develop Youth Justice ICT systems and supporting technologies, to align with new ways of working (e.g. Google Jamboard has led to new ways of working within the service).
- Utilise technological collaboration solutions, such as video conferencing, to work in smart and efficient way as part of the cost avoidance strategy.

9.4 Any initiatives requiring ICT support will need to be considered against the broader ICT portfolio, recognising the finite funding and resources available. The ICT Strategic Business Partner will support and advise the service in this regard.

9.5 ICT will work the team in order to identify solutions that comply with the information and ICT design principles and to develop robust business cases to support their development.

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Appendix 1 - Delivery Plans

1. Revenue Financial Plan

Table showing an overall summary of financial position

Subjective Heading	2018-2019 Budget	2019-2020 Indicative Budget
	£'000	£'000
Expenditure:		
Employees	55,919	56,203
Running Expenses	393,155	404,819
Capital Financing Costs	499	499
Contribution to reserves	50	1059
Total Subjective Expenditure	**449,623**	**462,580**
Less:		
Other Internal sales	0	0
Gross Expenditure	449,923	462,580
Income:		
Government Grants	330,245	333,474
Contributions from Reserves	4,364	8,420
Other Grants Reimbursements and Contributions	3,986	3,986
Customer and Client Receipts	955	955
Other Income	175	175
Total Net Budget	**109,898**	**119,934**

2. Performance Plan

Our Plan Priority	Objective	Indicator	2017/18 result	2018/19 target	2019/20 target
Young People	Ensure all children have access to high-quality education	KS2 achieving expected standard in Reading Writing & Maths	60%	n/a	n/a
		% of pupils achieving grade 5 or above in both English and Maths at KS4	35.3%	n/a	n/a
		% good or better schools	87.7%	n/a	n/a
		Permanent school exclusions	0.15%	0.18%	TBC
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood	EYFS % achieving a good level of development	67%	n/a	n/a
		Rate of custodial sentences per 1,000 of the child population	0.98	0.90	TBC
		Post-16 Education, Employment and Training (EET)	91.2% (Dec-Feb)	n/a	TBC
	Reduce number of children needing a statutory service	Number of looked after children	1,257	1,139	1,139
		Number of Children In Need (LAC, CPP & CIN)	5,634	4,847	4,847

TBC = Target To Be Confirmed. "n/a" - there are currently no plans to have targets for these measures

3. Equality Overview and Action Plan

The Children and Education Directorate priorities directly support the EFLG and its activities reduce inequalities through effective partnership working, in particular those with health, schools, independent providers, other local authorities and the voluntary and community sector. The Directorate delivers its core business in line with the Council's strategic equality objectives, in particular *Improving Life Chances*.

Activity undertaken in 2017-18 year to promote equality and diversity in the City in support of the Council's equality objectives and supporting aims

During the previous year the Directorate has promoted equality and diversity in a number of ways, including through ongoing work to deliver against the five areas of the Equality Framework for Local Government (EFLG).

- Ensuring the voice of children and young people is at the centre of everything we do is the Directorate's highest priority and key influencer in decision making and services that affect their lives, including developing a curriculum for Life and Employment, and the reform of services to Care Leavers. This takes account of all equalities characteristics including ethnicity, gender, sexual orientation, disability and culture.

- We have further embedded strength and asset based approaches that have taken place across the Directorate such as strength based approaches to family intervention, Education, Health and Care Plans, Parent Champions for Special Educational Needs and Disability, the Signs of Safety Social Work model, and Solution Focussed Restorative Leadership and Supervision for staff, whilst monitoring the protected characteristics that people identify with.

- The joint Directorate continues to embed and expand our existing Our Manchester led initiatives across services and be a systems leader in promoting these new ways of working across the Council and partners.

- We focus on reducing inequalities in Manchester residents' outcomes through effective partnership working arrangements, in particular those with health, schools, independent providers, other local authorities and the voluntary and community sector

- Targeted youth support vital securing support for young people most at risk of disengaging from learning and secure pathways into further learning and employment.

- In line with the Our Manchester Strategy, the directorate leads the promotion of a different relationship between public services, residents (including our children and young people), communities and businesses, making sure that all are more involved in services.

- We support diversity within the education system in relation to embedding British Values and meeting the Prevent Duty.

- Continued to develop our understanding of our customer base through cohort analysis characteristics; we have delivered LGBT training for staff/carers and a children with disability conference.

Planned activity and priorities for the next year to promote equality and diversity in the City in support of the Council's equality objectives and supporting aims

There will continue to be positive activities taking place over this business plan period that have an impact on equalities and support service planning: where there are specific needs identified these are informed by a individual assessment that gives due regard to equality.

Children's Services Single Service Plan promotes a different way of working in the city, one which at its core forges a deeper understanding of children, families and local communities, listening to what they care about and working together to improve quality of life. An underpinning objective of the Directorate's Business Plan is to promote a culture of integration and inclusive approach. This will be focussed on;

Delivering integrated services in the 3 geographical areas of the city linked to 12 neighbourhoods to achieve access to services in order for children and their families to receive a timely and 'right' intervention, that is sensitive to their individual needs; taking account of ethnicity, language, culture, sexual orientation, disability and gender. This priority is anticipated to have a positive impact in reducing the number of children unnecessarily involved with a statutory intervention.

Continue to development an integrated social care, education and health assessment, planning and commissioning service for children and young people with complex needs and/or disability. This is expected to include the assessment, planning and commissioning for those Children and young people who have complex needs, are placed in high cost provision and require a multi-agency approach subject to a single commissioning function.

Ensuring that the schools system/places in Manchester continues to improve and has sufficient places that meet the needs of our child population and meets the needs of the cities communities. The aim is to increase the number of children attending and schools judged by Ofsted to good or better; reducing exclusions.

Ensure Manchester's Early Help offer is integrated and aligned to an Early Years offer that is integral the aforementioned locality delivery model. The intention is to identify children's needs earlier and provide the right support in order to ensure our children have the best start in life.

Reform and modernisation of Services to Care Leavers

Proposed changes and activities over this budget and business planning period that have an impact on equalities in general or specific protected characteristics in particular

The implementation of the Children and Education Locality Model will further embed the Our Manchester behaviours and principles, promoting a culture of integration and inclusive approach cross a geographical area enabling practitioners to **work together** in a **locality**, having **conversations** to agree **effective, right and timely** interventions resulting in **positive change** for our children to have ***safe happy, healthy and successful lives.*** The implementation of the model will mean that our resources are allocated proportionally across teams, localities and services based on need.

There will positive activities taking place over this business plan period that will have an impact on equalities; where there are specific needs identified, these will be informed by an individual assessment that gives due regard to equality.

Proposal	Proposed EIA Completion Date	Decision Date	Senior Management Lead	Comments on initial potential impacts
Delivery of Children's Locality Plan	TBC	TBC	Paul Marshall	No negative impacts anticipated
Reform of Services to Care Leavers	TBC	TBC	Sean McKendrick	No negative impacts anticipated
Reconfiguration of Early Years Delivery Model	TBC	TBC	Julie Heslop	No negative impacts anticipated

4. Workforce Plan

The children and education services workforce is our most important resource. The ambition of the strategy is to improve the lives of children and young people and families and keep them safe, happy, healthy and successful. This can only be delivered by a confident, competent and highly skilled children and young people's workforce that understands each other's responsibilities and works together to deliver relevant, responsive and high quality services for children, young people and their families.

The strategy is underpinned by high aspiration for Manchester's children, young people and families' as set out the Children and Young People Plan 2016 - 2019 Our Manchester, Our Children' which is underpinned by key behaviour and principles; none no more than delivering services that are fiercely child-centred and having by strong and high aspirations for children, young people and families in Manchester.

A summary of the key drivers for workforce change and strategic workforce objectives within
Childrens for 2019/20 are as follows:-

- Achieving a stable, skilled and confident workforce through becoming an employer of choice and reducing reliance on agency
- Improved Workforce Development; embedding the career pathway, and developing leaders and managers to have the right skills and attributes to build and develop high performing and motivated teams; effective succession planning
- Locality Model Programme; moving from a focus on structures to a focus on our outcomes, our people and our services with stakeholders and partners
- The continuing development and implementation of the Children's Improvement plan

All of the drivers for workforce change will support the Directorate to deliver its strategic priorities by ensuring the workforce is equipped with the tools, systems and information to deliver safe, effective and efficient services to the children and young people of Manchester.

Our staff are our most important asset, how they think and feel about their work, how we engage with them and make them feel valued is extremely important to harness the commitment and support that will take us forward into a new era of integrated working. Developing and supporting staff to embed the 'Our Manchester' principles and behaviours will be fundamental to achieving our objectives. We will nurture an environment where they want to be part of developing and improving the future of the children and young people of Manchester. Our responses and action plans to address key themes that arise from the Be Heard Survey, will also ensure that our staff feel listened to.

We will continue to engage with our staff directly through dedicated communication events and the development of new technologies that helps us keep in touch and connected with our workforce on the frontline. The Our Manchester approach is grounded in strengths based working, building effective relationships and innovation. Within a children's services context the move over recent years to approach to assessment which starts from the point of "what matters to you" instead of "what is the matter with you" is a key aspect underpinned by Our Manchester. The testing of strengths based conversation training, the development of new Early Help assessments and Education Health and Care plans and the introduction of the Signs of Safety model of social work are all important building blocks in changing how the service works towards improving the lives of ‘our’ children.

Through our workforce and organisational development plans we will support the growth of our leaders and managers and continue to build capacity and create a positive culture to improve performance management. This will be supported through the Corporate Leadership and Management programme, and managers at all levels are encouraged to participate, as well as through our career development pathway and the implementation of the National Assessment and Accreditation System. There will continue to be a strong focus on management induction and understanding the basics of practical management including relevant policies and procedures. This will also be supported via the frameworks already in place i.e. absence management clinics and management information to inform this, so our managers are equipped to operate effectively.

Workforce Priorities

For children’s services, the primary focus is the ongoing delivery of the children’s improvement plan and ‘getting to good’. There is also a focus on further integration with Education Services to develop more cohesive offer for young people. The priorities within this are:

- Children’s Locality Model programme; moving from a focus on structures to a focus on our outcomes, our people and our services with partners;
- Integration of Early Help and Early Years; delivering a local, flexible and easy to access service for children and families
- Review of Access & Sufficiency; developing an effective and efficient service to support children with SEND;
- Front Door Reform: deliver a more effective and efficient ‘front door’ system
- School Clusters; developing a locality model which improves relationships with schools and settings to improve the outcomes for all young people including those with SEND.
- Review of Youth Justice; increase in demand and change in policy, procedural and inspection land escape requires the service to be reviewed in the context of delivering a safe, effective and efficient
- Workforce Development; continue to develop confident and competent practitioners, effective leaders and managers, and embedding the career pathway and social work apprenticeship programme
- To review and continue to deliver an effective recruitment and retention strategy

This is a hugely ambitious and radical programme of change with significant workforce implications both in terms of developing new organisational structures, operational models, cultures and behaviours, and ways of working which will be supported by Human Resources and Organisational Development.

Workforce Activities

Through the workforce strategy we have clarified the areas where we need to focus on workforce development to support our staff to achieve the best outcomes in their roles. This will be through:-

- **Recruitment - 'Manchester an Employer of Choice**' - recruitment campaigns are ongoing to attract people with high levels of potential and skills.

- **Retention and Succession Planning 'achieving stability'** - creating and embedding the right culture for staff to flourish and developing, providing access to professional development and opportunities to progress through an effective workforce development strategy

- **Workforce Planning - 'adaptive and responsive employer '**- effective workforce planning enables us to understand the profile and trends within Children's & Education Services and how it aligns to changes in lifestyles, societal demands/challenges.

- **Creating a High Impact Learning Culture** - promote a high impact of organisational learning and a culture of success in which staff feel empowered and equipped to practice to high standards, have a strong voice and are enabled to influence practice and service development, improvement and decisions.

- **Setting and Maintaining High Standards and Delivering Outcomes** - provide a clear framework of standard and organisation so that staff are clear about their role and responsibilities and canfocus on improving outcomes for children against which staff and service managers can measure individual performance and the impact of services on children's lives.
- **Learning and Development - continued professional development framework**; aligned to career pathways that offer a broad range of learning and development and reflection activity that promotes individual and collective responsibility for development and growth.

- **Leadership and Management - effective leaders who can create the right conditions** for practice development and improvement, robust management grip and oversight through practice and performance management - high support and high challenge.

This will ensure that Manchester has a continuous supply of talented social work staff who are appropriately experienced, nurtured and developed to be equipped to meet the needs of Manchester's children and are adaptable to move into vacancies and remove the need for agency workers.

Strengths based training has been rolled out to the majority of the workforce in Children's Social Care and also extended to partner organisations. It has also been rolled out to the Early Help Hubs and their partners. There will continue to be investment in the strengths based approach, and Signs of Safety has been implemented within Children's Social Work Teams.

The mandatory and statutory training programmes will be refreshed and updated to reflect the wider scope of skills that will be required for the future. There will also be a focus on driving the uptake of the National Accreditation and Assessment System as part of early implementation. This will need to be implemented in line with government timescales, and appropriate support provided to staff. There will also be opportunities to ‘grow our own’ Social Workers with the development of the Social Work apprenticeship and the apprenticeship levy.

The directorate will continue to receive regular management information reports which provides an insight into the directorate performances including absences, agency and vacancies. This reports will be used by HR and management to identify patterns, trends and develop interventions and improvement plan to support continuous service improvement.

Management accountability will continue to develop over the next 12 month to improve the Leadership and Management offer. Managers will continue to access HR advice, guidance and support to ensure they have the skills and confidence to deal with, and improve, absence, performance and behaviours.

In addition, engagement with the Greater Manchester Workforce Strategy which sets out the ambition to establish a robust and sustainable workforce across Health and Social Care, will act as the creative space where GM partners embrace partnership working, proactively engage the workforce and representation groups, provide a platform for sharing best practice and innovation, establish a learning and development culture and invest in development opportunities i.e. apprenticeships, will enhance further the impact of our local arrangements and priorities.

5. Strategic Risk Assessment and Register

ID	Theme	Risk Description	Risk Owner	Existing Key Controls and Sources of Assurance	Risk Score (current) impact x likelihood	Areas for Key Actions and Deadlines
1	People	Workforce development activity and retention offer fails to maintain and develop the workforce to increase experience, knowledge and improved practice, with good succession planning for leaders who have been developed and educated in Manchester	Head Of safeguarding and Practice Improvement	Workforce Development Strategy underpinned by a strong cross council workforce development group is well established and is working to develop the training and development offer for social work staff and career progression structure and opportunities	12 (4x3)	Further implementation of the practice leads model to support staff and offer essential training and development. Implement new career structure to support retention Workforce and Leadership workstreams as part of the Locality Plan
2	Delivery of Strategy	Strategy to reduce complex demand throughout the social care system does not succeed, leading to lack of reduction in numbers of children looked after, on child protection plans and categorised as children in need. Excess demand exceeds the capacity of the social work establishment and diminished capacity to improve safe and effective practice, and manage resource sustainably.	Sean McKendrick Deputy Director of Children's Services	Performance Management and Quality Assurance Frameworks are in place to support leaders and managers to direct teams and staff and develop effective responses to improve practice and learning to more effectively manage and plan case work towards earlier intervention and more effective planning to reduce complexity	8 (4x2)	Performance Clinics and Edge of Care Working Group are supporting development of analysis and commissioning of interventions matched to need profile, to offer tools to practitioners to tackle complex need and dependency Locality Plan to be delivered over next six months, aimed at ensuring resources are allocated proportionally across teams and localities, and safely reducing demand for social work capacity through early intervention.
3	Transformati on	Implementation of new case management system does not have the anticipated impact and fails to deliver the necessary improvements in practice, recording, reporting, management oversight and performance.	Sean McKendrick Deputy Director of Children's Services	Programme Management for implementation of the new system has full service and corporate support, and is a Council wide priority. Engagement in delivery to the required standard is drawn from all levels of the service and organisation as necessary, and	8 (4x2)	Practice and strategic leads for development and implementation are in place. Service engagement with project management and system development is regular and detailed.

				professional practitioner scrutiny, challenge and leadership of the system development is robust.		
4	Statutory and Legal	Legislative reforms which revise the requirements and framework for local safeguarding arrangements adversely affect the ability of the partnership to effectively engage, improve practice and track performance	Paul Marshall, Director of Children's Services	Partnership agreement to a joint approach to managing any transition through executive leadership group. Existing partnership arrangements to be continued and revised only when fit for purpose and consulted upon and agreed by safeguarding system leaders across all agencies	8 (4x4)	Independently chaired partnership board has been established to work across partners to support the development of new arrangements that are fit for purpose and will support sustainable multi-agency partnership working into the future
5	Finance	Budget overspend and/or changes to funding streams (e.g. via DFE) or legislation impacts on the overall delivery of a balanced budget within Children's Services.	Reena Kohli, Head of Children's and Families Finance	Monthly budget monitoring sessions of the Children's Leadership Team, chaired by the DCS. Budget recovery plan project CMT is taking a lead role in the management and control of spend across the service.	16 (4x4)	Budget projections demonstrate that mitigating actions are having a positive effect on the control and monitoring of the budget, but accelerated activity is needed to bridge the gap and provide a sustainable budget by the start of 2020/21
6	Delivery of Strategy	Early Help Services and Partnership working fails to deliver on expected outcomes and reductions in the levels of complex demand.	Julie Heslop, Strategic Head of Early Help	Citywide Early Help Strategy is in place and directing universal practice and engagement.	16 (4x4)	Mechanisms for engagement between, universal providers, managed early help services and the social care front door are under review to explore potential transformation activity required to maximise early help and prevention across the system
7	Statutory	Transformation activity as part of the Locality Plan does not have the expected impact on outcomes in terms of responding to increasing need and pressures and fails to deliver the anticipated continued improvement of social work services.	Sean McKendrick Deputy Director of Children's Services	Cross partnership getting to good board provides multi-agency and independently chaired scrutiny of the action plan to implement recommendations. Locality Plan Board and associated Governance Structure	8 (4x2)	Action plan for necessary improvements has been drafted and is in process of council and partnership sign off.

8	Statutory	Education services are subject to an Ofsted inspection and are assessed as “requiring improvement” or “inadequate”, resulting in serious reputational impact.	Amanda Corcoran, Director of Education	Schools Forum Engagement Manchester Schools Alliance support LA Quality Reviews and action planning Ofsted reporting in schools Reports to Children and Young People scrutiny committee	9 (3x3)	Ensure active participation in the Greater Manchester Education Partnership Strengthen Manchester Schools’ Improvement Partnership and Manchester Schools Alliance Formalise the School to School Partnerships Develop a strategic relationship with the Regional Schools’ Commissioner
9	People	Insufficient school places to meet the needs of Manchester children 2019/20 and onwards.	Amanda Corcoran, Director of Education	Reports to Young People and Scrutiny Committee Key leaders from across the Council involved in place planning through Strategic Capital Board	12 (3x4)	Develop a strategic relationship with the Regional Schools’ Commissioner Representation to DfE regarding process and funding Align Early Years sufficiency with schools place planning
10	Statutory and Legal	Education Legislation results in imposition of new strategic priorities to be implemented at pace. There is a requirement for Councils’ to “plan for the unknown” and unanticipated and untested change processes such as enforced academisation.	Amanda Corcoran, Director of Education	Reports to Young People and Scrutiny Committee Children’s Locality Plan Governance arrangements	9 (3x3)	Engagement underway with schools and partners to respond to likely themes. Primary Headteachers agreed to move to cluster model in 12 neighbourhoods - to be taken forward via the Locality Plan. Develop strategic partnerships with schools.
11	People	Early Years work programmes fail to deliver the required improvements in school readiness amongst children at the point of entry.	Amanda Corcoran, Director of Education	Joint governance arrangements with partners Children’s Board Scrutiny Children’s Locality Plan Governance arrangements	9 (3x3)	Develop secure processes for gathering of impact data with Public Health and Partners Address One System backlogs with ICT Whole-system approach being developed through the Locality Plan.

Appendix 2 Page 1 of 2 Children's and Education Savings		Approved 2018-20 MTFP Savings £,000	Proposed 2018-20 Savings			Change
			2018/19 £,000	2019/20 £,000	Total £,000	£,000
Placement Budgets						
Reduction of External Fostercare	Red	-5,628	0	0	0	5,628
Reduction of External Residential	Red	-3,027	0	0	0	3,027
Leaving Care - Alternative Delivery Model	Achieved	-200	-200	0	-200	0
Conversion of fostercare to internal SGOs	Red	-216	0	0	0	216
Joint Commissioning of Complex Cases	Achieved	-1,500	-1,500	0	-1500	0
Total Placement savings		**-10,571**	**-1,700**	**0**	**-1,700**	**8,871**
Other Children's Savings						
Review of Dedicated Schools Grant	Achieved	-1,500	-1,500	0	-1500	0
Demand Management and Practice Efficiences	Amber	-1,000	0	-500	-500	500
Review of Fostering Service	Achieved	-300	-300	0	-300	0
Travel Co-ordination	Amber	-220	-130	-90	-220	0
Reconfiguring of the Early Years Delivery Model	Achieved	-180	-180	0	-180	0
Total Other Children's Savings		**-3,200**	**-2,110**	**-590**	**-2,700**	**500**
Commissioning						
Residential - preferred supplier agreement	Red	-1,000	0	0	0	1,000
Fostercare - new north west framework	Red	-650	0	0	0	650
Review of Commissions	Green	-100	-100	-100	-200	-100
Total Commissioning		**-1,750**	**-100**	**-100**	**-200**	**1,550**

Appendix 2 Page 2 of 2 Children's and Education Savings		Approved 2018-20 MTFP Savings £,000	Proposed 2018-20 Savings 2018/19 £,000	2019/20 £,000	Total £,000	Change £,000
Investment						
Increase in the use of Internal Fostercare	Green	2,284	1,251	0	1,251	-1,033
Fostering Service	Green	285	311	0	311	26
Total Investment		**2,569**	**1,562**	**0**	**1,562**	**-1,007**
Total approved 2018-20 savings		**-12,952**	**-2,348**	**-690**	**-3,038**	**9,914**
New savings proposals						
Reduction in Use of Agency	Green	0	0	-186	-186	-186
Legal Compensation budget underspend	Green	0	0	-50	-50	-50
Information and governance existing underspend	Green	0	0	-40	-40	-40
Review of further commissions	Green	0	0	-100	-100	-100
Market management for placement costs	Red	0	0	-400	-400	-400
Sub-total		**0**	**0**	**-776**	**-776**	**-776**
Savings to manage service pressures						
Supported Accomodation - Leaving Care	Amber	0	0	-309	-309	-309
Adoption Allowances	Amber	0	0	-145	-145	-145
Home to School Transport	Amber	0	0	-733	-733	-733
Sub-total		**0**	**0**	**-1187**	**-1,187**	**-1,187**
Total 2018-20 approved and proposed savings		**-12,952**	**-2,348**	**-2,653**	**-5,001**	**7,951**

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Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee - 5 February 2019
Executive Report – 13 February 2019

Subject: Dedicated Schools Grant 2019/20

Report of: Director of Education

Summary

The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools. It also funds early years nursery free entitlement places for two, three and four year olds as well as provision for pupils with high needs including those with Special Educational Needs (SEN) statements and Education Health and Care Plans (EHCPs) in special schools and specialist provision in and out of Manchester:

The DSG funding is provided in two stages: first, the government provides the grant to the Council for all state funded schools in the city, and then the Council determines the grant distribution to local educational establishments. Academy schools are included in the allocation for Manchester and budgets are calculated using the Manchester local funding formula, but the budgets are actually distributed by the Education Funding Agency.

The Government has previously stated that it intends to implement a National Funding Formula which means that school allocations will be determined by the Department for Education (DfE) rather than the Council. DSG arrangements for 2019/20 remain unchanged with the grant allocated to the Council in four blocks based on a national formulae, and schools funded on the Manchester local formula from the DSG allocation.

During the autumn the Council consulted schools and the Schools Forum on a transfer of funding from the schools block to the high needs block of up to 0.5%per pupil (£2m) in 2019/20. This was to address an underlying pressure in the High Needs budget largely resulting from an increase in the number of children and young people with Education, Health and Care Plans.

As a result of additional DSG for high needs of £2.562m (£1.281m for 2018/19 and 2019/20) announced by the DfE in December 2018, the Council is no longer seeking to make the transfer for 2019/20. However, despite this increase there are continuing pressures on the high needs block. The Council will continue to identify further savings options during 2019/20.

This report provides a summary of the confirmed DSG grant allocation from the 2019/20 settlement announced on the 16th December 2018 and the budget allocation across individual school budgets (ISB) and Council retained schools budget (RSB) which was reported to Schools Forum on 14th January 2019.

Recommendations

The Executive is invited to review and comment on the 2018/19 individual schools budgets (ISB) and local authority retained school budgets (RSB) determined from the Dedicated Schools Grant (DSG) allocation.

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	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 unlocking the potential of our communities	Regular attendance at high quality schools helps all children and young people to develop 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	

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Background documents (available for public inspection): None

1. Introduction

1.1 This report provides a summary of the confirmed DSG grant allocation from the 2019/20 settlement announced on the 16th December 2018 and the budget allocation across individual school budgets (ISB) and local authority retained schools budget (RSB) which was reported to Schools Forum on 14th January 2019.

1.2 The DSG is a ringfenced grant used to fund individual school budgets in maintained schools, academies and free schools via the schools block. It also funds early years nursery free entitlement places for two, three and four-year-olds, as well as provision for pupils with high needs, including those with special educational needs and disabilities (SEND) and education health and care plans (EHCP) in special schools and specialist provision in and out of area. The central school services block (CSSB) supports the Council's role in education.

2. Summary of Dedicated Schools Grant Allocation 2019/20

2.1 The 2019/20 DSG totals £530.057m, the table below compares the 2019/20 against 2018/19 grant allocation. Overall Manchester allocation has increased by £11.484m, mainly due to additional pupils in secondary schools.

Table one: Dedicated Schools Grant settlement 2019/20 and 2018/19

BLOCK	Schools	Central School Services	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
2019/20	409.073	3.658	76.498	40.828	530.057
2018/19	398.471	3.989	73.388	42.725	518.573
Difference	**10.602**	**-0.331**	**3.110**	**-1.897**	**11.484**

Schools Block

2.2 The Schools Block allocation for 2019/20 is £409.073m. For 2019/20 overall funding to a local authority area has been calculated bottom up school by school on the basis as if a National Funding Formula (NFF) had been applied. However, local authorities are still able to use a local formula to distribute the aggregated total between each school.

2.3 The guaranteed unit of funding is **£4,578.46** per primary pupil and **£6,083.83** per secondary pupil plus £12.672m funding for growth, mobility and premises allocation across 77,364 children aged 5-16 years.

Table two: Schools Block Allocation

Schools Block	
Guaranteed Unit of Funding	
Primary	£4,578.46
Secondary	£6,083.83
Number on roll – 77,364	
Primary	49,334
Secondary	28,030
	£396,403,501
Funding - growth, premises, mobility	£12,672,000
Total	**£ 409,073,501**

2.4 The £409.074m will be allocated out to schools in individual budget shares or held for the growth fund. There has been an increase of 1,713 pupils between 2018/19 and 2019/20. The Schools block allocation has increased by £10.602m in 2019/20 and allocated as follows:

- £9.985m for an additional 1,713 pupils in primary and secondary schools between October 2017 and October 2018.
- The DfE has also allocated Manchester's primary and secondary schools a 0.5% per pupil led increase in school budgets in 2019/20 of £1.814m.
- 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, this is £1.990m lower than the 2018/19 allocation.
- Site factors have increased by £0.793m. Schools block movement is summarised in table three below.

Table three: Schools Block Funding change 2018/19 – 2019/20

	£m
Schools Block 2018/19	**398.471**
Additional Pupils	9.985
0.5% increase in rate	1.814
Reduction in Growth Fund	-1.990
PFI transfer to Schools Block	0.332
School site funding increase	0.461
Schools Block 2019/20	**409.073**

Central School Services Block

2.5 The central school services block (CSSB) supports the Council's role in education. It comprises two elements:

- Ongoing responsibilities - specified by DfE and retained centrally (Admissions, Copyright licenses and Servicing Schools Forum). The per pupil amount allocated to the Council for ongoing commitments has reduced by 2.5% per pupil from £43.74 to £42.65
- Historic commitments - these are funded at historical spend level, are time-limited and expected to reduce over a period of time. These have reduced from £680k in 2018/19 to £380k in 2019/20.

Table four: Central Schools Service Block - £3.658m

Central Schools Service Block	2018/19	2019/20
Historic Commitments (£)	**680,000**	**358,000**
On-going responsibilities:		
Unit of Funding (£)	43.74	42.65
October census number on roll	75,651	77,364
Total Ongoing (£)	**3,308,975**	**3,299,575**
Block Total (£)	**3,988,975**	**3,657,575**

High Needs Block

2.6 The high needs block funding supports provision for children and young people with Special Educational Needs and Disabilities (SEND) from their early years to age 25. The allocation for 2019/20 is £76.498m. 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.

2.7 This block of funding is for those pupils or students who require provision that would not normally be available in mainstream settings 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 SEN resource unit or a special school.

2.8 In September 2018 the Council reported to the Schools Forum a projected overspend on the High Needs block of £2.9m for 2018/19 as a result of increase in special school places, funding to schools for pupils with Education, Health and Care Plans (EHCP) and Post-16 EHCP costs. During the autumn the Council consulted schools and the Schools Forum on a transfer of funding from the schools block to the high needs block of up to 0.5% per pupil (£2m) in the 2019/20 reduce the overspend along with other savings measures. Schools and the Schools Forum expressed concerns over reducing core funding to schools at a time when schools have seen a real terms reduction in funding. .

2.9 In December 2018 the DfE confirmed that local authorities would receive an additional £250m nationally of high need block funding over 2018/19 and 2019/20. For Manchester this equates to £1.281m in 2018/19 and £1.281m in

2019/20. Following this announcement the local authority is no longer proposing to transfer up to 0.5% per pupil from the schools block to the high needs block in 2019/20.

2.10 In addition to this it was confirmed that the block will increase by a further £1.829m following application of the existing high needs block formula to local authorities. This is an increase of £3.110m for 2019/20 in total.

Early Years Block

2.11 The Early Years Block allocation is £40.828m. The 2019 to 2020 Early Years National Funding Formula (EYNFF) rates for all local authorities were published in November 2018 and the 3 and 4 year old rate for Manchester is unchanged from 2018/19. Final allocations will continue to be based on participation at the January census points and will be finalised in July 2019 and July 2020.

3. Dedicated Schools Grant Allocation within Manchester

3.1 The DSG funding is provided in two stages: first, the government provides the grant to the Council for all state funded schools in the city, and then the Council determines the grant distribution to the local educational establishments. Academy schools are included in the allocation from Manchester's DSG and budgets are calculated using the Manchester local funding formula, but the budgets are actually distributed by the Education Funding Agency.

Schools Block

3.2 The funding formula for primary and secondary is currently the basis for funding maintained schools and academies in a local authority. 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 is proposed. Manchester schools will receive a 0.5% per pupil led increase which has been applied to the unit values of the parts of the formula that are pupil led. The lump sum and mobility have not been uplifted by 0.5% as this has not been funded by the DfE. Rates, premises and exceptional costs have been uplifted in line with the allocations from the DfE. The lump sum to Manchester schools continues to be funded at £45k above the rate the Local Authority has been funded at as part of the local formula.

High Needs Block

3.4 The 2019/20 high needs grant allocation is £76.498m including the £3.110m of growth. The breakdown of estimated spend against this allocation is shown in table 5 below.

3.5 **Table five: High Needs Block planned spend**

	£m
Special School and Resource Units	48.150
Special School Partnership	0.700
Education, Health and Care Plans (allocated to school budgets 19/20)	6.100
Education, Health and Care Plans (estimate of further 19/20 allocations)	2.043
Post-16 colleges, specialist providers	7.809
Out of city placements	8.415
Central SEN Support Services	3.281
	76.498

3.6 **Special school and Resources Unit** - The school population in Manchester has been increasing significantly since 2008. This has led to an increased demand for school places across Manchester including places offering specialist provision. Currently, 1.9% of the school population attend specialist provision either within a special school or resource provision within a mainstream setting. There are 100 special school and 10 resource place expansion planned for 2019/20. The expansion mirrors that of mainstream growth and does not increase the proportion of children attending a special or resource school in Manchester.

3.7 **Education, Health, Care Plans (EHCP)** - The October 2018 census showed that schools in the City have 13,507 SEND pupils. This was made up of 13.7% (10,612 pupils) who have needs met through SEN support and 3.7% school with an EHCP.

3.8 **Post-16 students** - The funding source for these students remains a combination of DfE, through funded places at post 16 institutions and the DSG. A high needs student is defined as a young person aged 16-18 who requires additional support costing over £6,000 and any young person aged 19-25 subject to an EHCP that requires additional support costing over £6,000. Post 16 pressures relate to the growth in learner numbers and increased complexity of need.

3.9 **Out of City Placments -** This budget relates to 90 pre-16 pupils placed in independent specialist provisions,

3.10 **Central SEN Support Services** – this include contribution of £500k to the cost of SEND home to school transport, education caseworkers, speech and language contract.

3.11 During 2018/19 the Council has realised planned recovery options through a review of commissioned services, a detailed line by line review of the high needs central services and review of resource provision. At this stage it is estimated that there still could be a potential pressure on the DSG high needs block if the number of pupils and students with EHCP plans increases above the budget available.

3.12 In order to manage the pressure the Council is looking to develop further savings options in the high needs block and plans to continue with the review of excessive school balances next financial year. Any remaining overspend at year end would need to be carried forward to the following financial year and managed with the overall DSG allocation for 2020/21.

Early Years Block

3.13 Manchester's funding rate per hour for both the universal and additional hours provision for three and four year olds and the two year offer is unchanged.

4. Summary

4.1 The table below provides a summary of the split between individual school budgets and those budgets retained centrally by the Council across each of the blocks in 2018/19 and 2019/20.

Table six: DSG individual school budgets and retained school budgets

	Schools	**Central School Services Block**	**High Needs**	**Early Years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Retained School Budgets	5.548	3.989	21.500	1.798	32.835
Individual School Budgets	392.923	0	51.888	40.927	485.738
DSG 2018/19	**398.471**	**3.989**	**73.388**	**42.725**	**518.573**
Retained School Budgets	3.750	3.658	22.930	1.720	32.058
Individual School Budgets	405.323	0	53.568	39.108	497.999
DSG 2019/20	**409.073**	**3.658**	**76.498**	**40.828**	**530.057**

Glossary

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.

Hard National Funding Formula
The National Funding Formula would be used to calculate each individual school's budget, without the additional step of applying a local funding formula. This would be the 'hard' national funding formula

Soft National Funding Formula
The DfE will moved to a 'soft' national funding formula in 2018-19. This means that local authorities will use the national funding formula to calculate LAs' funding allocations, LAs will still determine individual schools' funding allocations through their local formula.

Headroom
Amount of funding which remains after all budgets have been allocated.

High Needs Block
The dedicated schools grant (DSG) is divided into three blocks: the schools block, the high needs block and the early years 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 SEN 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.

Schools Block
The dedicated schools grant (DSG) is divided into four blocks: the schools block, the high needs block, central services schools block and the early years block. The schools block relates to pupils in national curriculum year groups reception to 11 at mainstream schools and academies who are not in a special unit or resourced provision (who are funded from the high needs block).

Manchester City Council
Report for Resolution

Report to: Neighbourhoods and Environment Scrutiny Committee - 6 February 2019
Economy Scrutiny Committee - 6 February 2019
Resources and Governance Scrutiny Committee - 7 February 2019
Executive - 13 February 2019

Subject: Strategic Development Business Planning: 2019-2020

Report of: Strategic Director (Development)

Summary

This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20. In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.

The draft business plan which was considered by the committee in December 2018 has been further developed into this report based on the comments received from the committee and the outcome of the local government finance settlement. Sections on the directorate's impact of proposed changes on residents, communities, customers and the workforce have been added in addition to a summary of the technological support to deliver change. A full suite of delivery plans can also be found as an appendix including the Finance, Performance, Workforce and Equality Plans and the Risk Register.

Taken together, the directorate business plans show how the directorates will work together and with partners to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Committee is invited to review and comment on this directorate Business Plan.

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 in preparation for the draft revenue budget submitted to the Executive on 13 February 2019.

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Background documents (available for public inspection):

- Strategic Development Budget and Business Plan: 2017/18 -2019/20 - Executive – 8th February 2017
- Strategic Development Budget and Business Planning: 2018-2020 - Executive - 7th February 2018

1. The Directorate Business Plan

1.1. The Directorate Business Plan is set out from section two below and includes:

- A description of the contribution that the directorate makes to delivery of our Corporate Plan priorities;
- The directorate's vision and objectives;
- A self-assessment of the directorate's key challenges for 2019/20;
- The revenue strategy;
- The capital strategy/programme;
- Impact on Residents Communities and Customers;
- Impact on the Workforce;
- Technological Support;
- An appendix containing the directorate's delivery plans (Finance Plan, Performance Plan, Workforce Plan, Equality Plan, and the Strategic Risk Assessment and Register).

2. Delivering Our Plan

2.1. The 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. Along with providing leadership to the Council's Housing function, Strategic Development 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. In July 2018 the Directorate expanded to include the planning, building control and licensing functions to enhance the strategic planning and place shaping function. Additionally, Work and Skills and Adult Education services joined the directorate to ensure that **Manchester residents directly benefit from the economic growth and development of the City and associated jobs creation.**

2.2. 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. Strategic Development has the central role in **ensuring the delivery of the right mix of good quality and affordable housing for Manchester residents to have a good choice of quality 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 review of the Housing Allocations Scheme is 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 Neighbourhoods Directorate in the planning and delivery of new **neighbourhoods** making sure these meet the needs of our diverse and complex communities. As the Directorate with the key role for creating places where people will live or work our developments must consider the impact on **highways, connectivity,** and neighbourhoods management services (such as waste collections). 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.

2.6. 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.

2.7. The Directorate also actively progresses the Our Ways of Working through the ongoing review and rationalisation of our operational estate, which the council uses to deliver all of its services from, to provide a more efficient asset base with a reduced carbon footprint. We constantly review our operational estate to ensure the Directorates have the right building assets to deliver quality services and deliver 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.

2.8. The **Our Manchester approach** is 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 a say and role to both those who need services and those who provide them.

3. Vision and Objectives: Building Manchester's Future

3.1. The Strategic Development Directorate seeks to drive effective place making and facilitating the economic growth of the City by creating the necessary conditions needed to promote strong growth in commercial, residential, retail and leisure related development in the City, stimulating new employment, new homes and broadening the City Council's tax base. To ensure that all Manchester residents benefit from this growth by providing good quality training and job creation and developing effective pathways for residents into these jobs.

3.2. Together with the other Directorates of the Council, Strategic Development will deliver the shared vision and objectives set out in the Our Manchester

Strategy and the Corporate Plan. The specific objectives for Strategic Development are:

Growth that Benefits Everyone: Facilitating the Economic Growth of the City

- The continuing sustainable growth of the City centre as a major regional, national and international economic driver; ensuring growth through efficient use of land for commercial led development opportunities, such as: the Airport City Enterprise Zone; the Didsbury Technology Park; the Eastern Gateway and the Etihad Campus; St John's Quarter, Mayfield, Manchester Science Park and the Corridor Enterprise Zone;

- Uphold Manchester's attractiveness as an investment opportunity for new commercial, residential and other development opportunities;

- Maintain and build confidence in Manchester's reputation as a destination City through the growth and improvement of its retail provision, the opportunities presented by its diverse cultural, sporting and leisure offer, together with its civic functions as a focus for residents and visitors;

- Ensuring residents, neighbourhoods, businesses and goods can connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure such as good local transport connections to high employment/enterprise zones, High Speed Rail (HS2, Northern Powerhouse Rail and Northern Hub), bus reform, and new walking and cycling infrastructure;

- Utilise the City centre developments, coupled with strengthening and diversifying the City's economic base, to drive new employment growth. Provide businesses with the opportunities to grow and re-invest in Manchester as their City of choice through the provision of new workspace across the City; and

- Support businesses to grow and re-invest in Manchester as their City of choice through a quality business support offer, investment in skills, local recruitment and contributing to social and environmental outcomes.

Growth that Benefits Everyone: Pathways to Good Quality Job Creation for Residents

- Maximise employment opportunities for Manchester residents, leveraging, in particular, where the City Council has a partnering, land ownership, investment, procurement or commissioning role;

- Ensure that business start-up and growth services deliver a quality offer for the City's businesses and facilitate more of the City's residents to start a business or pursue self-employment;

- To improve the skills and qualifications of adults in Manchester, working with partners to commission and deliver integrated services that support residents into employment;

- Simplify the skills offer and pathways for residents from all backgrounds to lead to sustainable jobs and careers progression, working with colleges and training providers to provide quality post-16 education and training with an accessible learning offer for all and clear routes to centres of excellence providing higher level and technical skills linked to the City's growth sectors;

- Improved careers advice based on real labour market information and continued work with schools and colleges to ensure that there are a range of positive pathways that provide young people with the skills and attributes needed to successfully compete in the labour market; and

- Embed work as an outcome across the City's reform programmes and continue to work with Working Well and the health system more broadly to support more people with underlying health conditions into sustainable and quality work.

Housing: The right mix of good quality affordable Housing

- Create places where people want to live in good quality affordable housing with diverse tenures; inclusive neighbourhoods with a good social, economic, cultural offer and visitor offer;

- Promote new developments that support our environmental objectives associated with a zero carbon City;

- Contribute to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps attract and retain residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the public transport infrastructure;

- Explore and exploit the opportunities of new technologies including offsite construction to accelerate and sustain the delivery of more high quality and affordable housing; and

- Work with colleagues in Adult and Children’s Services to deliver the right mix of good quality housing for residents with additional needs in the City, including people and families who are homeless; people with a learning disability; Our Children (who have been in the care of the Local Authority); and, Age Friendly housing.

Young People: Supporting children to have the best possible start in life

- Support the implementation of the City’s Family Poverty Strategy, using an "Our Manchester" approach to engage with families and neighbourhoods, where a disproportionate number of our children and young people grow up in poverty.

Healthy Cared for People

- Utilising our operational estate to enable integrated neighbourhood working by connecting teams to other services and assets locally.

Neighbourhoods: Reduce greenhouse gas emissions

- Supporting Manchester's commitment to be a zero carbon City by 2038 by reducing the Councils direct CO2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings; and

- Leading and influencing others to reduce CO2 emissions in industry, commercial and residential sectors through developing planning policy and influencing contractors through procurement and commissioning.

4. Self-Assessment/Key Challenges

4.1. In order to facilitate and support the delivery of these priorities for the City and its residents, the Directorates will also need to address some key challenges.

The Investment Estate

4.2. The Directorate continues to generate income from the investment estate despite the challenges faced in respect of increased competition for office accommodation across the City, changing behaviour in respect of retail activity and during 2018/19 the overall income has increased from the investment property estate and this is being used to support the overall council budget position. The task of delivering both the budget requirements for 2019/20 and securing additional income from our property estate will continue to remain a key challenge for the Directorate. In order to achieve this, work will be ongoing to continue to strengthen the performance of the council property estate. The estate comprises around 4,300 separate income generating interests. 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.

The Operational Estate

4.3. The Council's land and property estate that is used to deliver Council services is managed by the Estates team and they will continue to make best use of the total collective public and community assets (Council and other publically owned assets) to support estates transformation and deliver modern efficient services to our residents and businesses. Where the Council holds space which is surplus to operational requirements opportunities for Community use are being implemented including community asset transfers. The Operational Estate Strategy and its associated capital investment will also support key

Council priorities such as the ambition of a zero carbon City. The Operational Estate accounts for 3% of the City's CO_2 emissions; the latest data for 2017/18 showed that the Council's total direct CO_2 emissions had reduced by 33.8% since 2009/10, putting the Council on target for a 41% reduction by 2020.

Commercial and Housing Development

4.4. In addition to the very direct contributions to supporting the Council's wider budget position the Directorate has a central role in facilitating the growth of the Council's business rate and council tax base, which is used to support the wider Council's budget. Looking forwards the uncertainty arising out of the June 2016 referendum decision to leave the European Union, and the current lack of clarity as to the precise detail on what BREXIT will be, has the potential to slow down investment decisions in new development.

4.5. Any slowdown will manifest itself within the Council through a reduction in the number of planning applications made with a consequent impact on planning fee income. The Planning Service is predominantly funded through the planning fees and this income is volatile. Although in recent years planning fee income has exceeded target, this cannot be guaranteed going forward. In 2016/17 a planning fee smoothing reserve was approved, this was set up using planning fee income and will be used to smooth any reduction in planning fee income; the reserve balance currently stands at £1.561m. Planning fee rates are set nationally, and in January 2018 a 20% increase was applied on condition that this is re-invested into improving planning services. In order to ensure that the increase is applied in line with the conditions there will be a review of all Planning services to ensure that appropriate services are being funded through the planning fee income. In respect of sustaining the delivery of new housing in the City and the expansion of new affordable housing across the City there will be a requirement to address the organisational capacity issues needed to ensure the housing pipeline in the City is sustained. In light of both the uncertainties that may arise from BREXIT and the need to actively drive forward new affordable homes programmes in the City proposals for additional staffing capacity in Strategic Development, Legal Services and Planning are being developed. It is assumed that the Regeneration reserve will be used to fund the costs of the additional capacity, and this is reflected within the reserves schedule.

Work & Skills

4.6. In terms of connecting our residents to the job opportunities being created in the City and the rest of the conurbation the Work & Skills and MAES teams play a key role in ensuring that these outcomes are secured. The 2018 State of the City Report highlighted that one of the key challenges is ensuring that Manchester residents directly benefit from the economic growth of the City. In particular, the report has shown that 1 in 4 people aged 50-64 are accessing out of work benefits with poor health f as a major challenge. The Over 50s are a priority for the work of the Work and Skills and MAES teams and there will be some joint work with Public Health to address the health challenges.

Directorate Wide

4.7. The Directorate will continue to review the approach to commissioning and contracts supporting our partners and the broader supply chain, delivering services on our behalf, to ensure that social value is embedded in all contracts, building on existing good practice.

4.8. The directorate needs to ensure it has the capacity to deliver the Council's affordable housing strategy, other strategic development opportunities and the Local Plan. A review of resources will be completed with a view to increasing the available capacity and advice required. The additional requirements are currently being scoped and will be funded from the Regeneration Reserve. A provisional amount of £1.2m has been included on the reserves schedule.

4.9. The Directorate has been committed to enabling the workforce to be more resilient, effective, creative, ambitious and innovative through embedding Our Manchester. In order to achieve this developing a culture of trust, honesty and empowerment is critical and we are committed to achieving this. There is a commitment to ensure staff are equipped with the skills and knowledge needed to be able to work in an Our Manchester way. To date, 287 staff have attended the Listening in Action events, and 110 have attended the Our Manchester experience. The directorate has already exceeded apprenticeship commitments for the year.

4.10. We are supporting our managers through Our Manchester Leadership and Raising the Bar training, of whom 32 and 77 staff have completed respectively. Strategic Development now has the lowest absence levels in the Council and its use of agency staff is comparatively low - at P8 from April to November 2018, the Directorate had spent £172,779 which was only 1% of the total agency spend across the Council.

4.11. It is essential that we continue to embed the Our Manchester approach and behaviours throughout the workforce and in the services approach to delivery. The Directorate continues to deliver a programme of engagement activities including large scale staff conferences, service specific away days and team huddles. The most recent staff conference, delivered jointly with Neighbourhoods, focused on 'Our Manchester in Action' was well received by staff with 73% of attendees providing feedback, 97% were satisfied with the event and 88% said it was relevant and helpful for their job. The staff engagement survey results from 2018/19 placed the Directorate in the 'One to Watch Category' and revealed that employees wanted greater opportunity for development opportunities which is being addressed through the Workforce Development Group with a focus on 'skills for growth' and 'innovation' to support the development of the key priorities.

4.12. A challenge for the directorate is communicating and engaging with front line staff employed within Facilities Management Services that have limited or no access to work emails, computers, e-learning and difficulties being released from frontline duties to attend training sessions. Plans are currently being developed within the service to establish a bespoke solution to meet this challenge.

4.13. Supporting our ways of working also remains a priority, we intend to increase productivity amongst staff within the directorate through adopting leaner support systems and processes (working with the Corporate Core including ICT, HROD, and Finance) which enable efficient working, whilst also ensuring we have appropriate oversight and governance arrangements in place.

5. Revenue Strategy

5.1. The Strategic Development Directorate has a gross budget of £53.751m and a net budget of £7.235m, with 668 FTE posts. The breakdown of both budget and FTEs by service area is set out in the table below:

Table 1: 2018/19 Base budget

Service Area	2018/19 Gross Budget	2018/19 Net Budget	2018/19 Budgeted Posts (FTE)
	£'000	£'000	
Operational Property	7,981	7,052	33
Facilities Management	10,715	9,025	183
Investment Estate	7,042	(12,290)	27
Strategic Development	690	324	4
City Centre Regeneration	1,311	425	10
Housing & Residential Growth	2,983	1,577	34
Planning, Building Control & Licensing	6,742	(601)	128
Work & Skills	1,761	1,723	24
MAES	10,308	0	219
Our Town Hall Project	4,218	0	6
Total	**53,751**	**7,235**	**668**

5.2. Although there were no additional savings approved as part of the 2018/19 budget process, there are ongoing risks of £250k in respect of delays in delivering part of the £433k 2017/18 savings. The outstanding savings to be achieved are through forecast price reductions on both the security, and repairs and maintenance contracts following conclusion of the procurement exercise. The new repairs and maintenance contract is expected to commence in May 2019, with the new security contract expected in the autumn of 2019. The savings are expected to be achieved in 2019/20 following completion of the procurement exercises.

5.3. 2019/20 is the third year of the original three year budget strategy, and the 2019/20 budget proposals support the Directorates contribution towards the Corporate Plan. Progress towards the original priorities that were agreed as part of the strategy is set out below:

5.3.1. There continues to be a large number of complex commercial and residential led mixed use developments being delivered within the City Centre, these include: St Johns with Factory Arts Centre; NOMA; First Street; Oxford Road; Mayfield and Piccadilly. Looking forward the continuation of the current scale of development is more uncertain due to the ongoing issues around Brexit and the impacts this has on investor confidence. If development levels are reduced this may have an adverse impact on the level of planning fee income achieved, but also reduce the positive benefits of increased business rates income that also supports the overall Council budgets.

5.3.2. Work continues on the delivery of the City Council's Residential Growth Strategy and the Housing Affordability Policy. A revised Residential Growth target of 32,000 homes has been set between April 2015 and March 2025. An update was provided to Economy Scrutiny in January 2019. This revised target includes 6,400 affordable homes (20%) and a paper from Cllr Richards to Executive in December 2018 sets out a range of policy ideas. Officers will take back to Executive a response to these and related delivery proposals in early 2019.

5.3.3. The Planning service has continued to see a large number of planning applications and the strong relationships with partners and colleagues across the Council contributes to the continued large scale developments that will help contribute to delivering key outcomes of quality, new jobs and homes that people want.

5.3.4. The Work and Skills and MAES teams delivered their service priorities in 2018/19, with MAES over-achieving on some of its targets. The Adult Education Budget is being devolved to the GMCA in the 2019/20 financial year and it is critical that both teams ensure that they are well prepared to maximise the opportunity to deliver the work & skills priorities for the City, particularly to residents with none or low levels of skills and qualifications. Work will also continue to maximise the employment, training and work experience from major projects such as the Town Hall and the Factory, as well as work with partners to meet existing skills gaps.

Savings Proposals

5.4. As part of the work undertaken to support the wider Council budgets, a review has been undertaken of all existing budgets, and income opportunities in order to identify further savings opportunities. This has resulted in further savings proposals of £1.02m being identified for 2019/20, of which £1m is in respect of additional lease income for land used for car parking, this is an ongoing saving. A further £20k has been identified through increased building control fee income for building advice provided to housing services, this saving is time limited and is forecast to be available in 2019/20 and 2020/21 only.

Strategic Development Proposed Savings 2019/20	19/20 £000's
Building Control - Increase recharge income	20
Investment Estate - Additional lease income for car parking land	1,000
Total	1,020

Key Changes and Risks

5.5. The Strategic Development budget is forecast to underspend in 2018/19, and this is largely due to additional lease income for car parking land. There continues to be a number of risks around the investment estate, but these are being mitigated by other over performing sites. As referenced earlier in the report there have been delays in the retendering of both the security and the repairs and maintenance contracts. The repairs and maintenance contract has now been retendered, and the new contract commences in May 2019, the main risk is around whether because of the time that has elapsed the new prices are sufficiently low enough to realise the approved savings.

5.6. The security contract tender process has now commenced, and is expected to conclude around October 2019, it is only once the process has finished will the ability to deliver the savings be known. In order to mitigate the risks around delivery of the savings, the facilities management team will continue to carefully manage the ongoing expenditure in 2019/20.

5.7. In order to ensure that the City Council's advertising portfolio is managed effectively, and any opportunities for improved co-ordination of advertising across the City are maximised all the advertising contracts will be consolidated and managed within the Investment estate. In doing this the already approved £0.7m saving to be achieved from the re procurement of the on street advertising sites has transferred from Highways to Strategic Development. The new contract will commence in September 2019, and the risk of delivering the savings in year will become clearer once the procurement exercise is complete.

5.8. Given that the contract start date is likely to be September 2019 it is anticipated that the best case scenario is that only half year savings will be achieved in 2019/20, with this possibly reducing further if the successful tenderer requires a period of time to install new advertising infrastructure. In order to provide mitigation for this risk it is recommended that a smoothing reserve as part of the Council's reserves held on the balance sheet and funded from a historic reserve that is no longer required.

5.9. There remains an ongoing risk in relation to the operational and investment estate budgets, and the Strategic Development service continually look at ways to effectively manage the estate through regular reviews of rents, leases and service charges whilst maximising occupancy.

5.10. In light of the ongoing uncertainty around BREXIT, and the potential implications on the economy during 2019/20 and beyond there is still a significant risk around adverse implications on the budget, and these will have to be retained under review pending the final outcome of the BREXIT negotiations.

Table 2: 2019/20 Proposed Changes and Revised Budget

	Approved MTFP						
Service Area	**2018/19 Net Budget**	**Approved savings**	**Investment and other changes**	**2019/20 Net Budget**	**2019/20 Identified pressures**	**2019/20 Recovery proposals**	**Proposed 2019/20 Net Budget**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operational Property	7,052	0	0	**7,052**	0	0	7,052
Facilities Management	9,025	0	0	**9,025**	0	0	9,025
Property Rationalisation	0	0	0	**0**	0	0	0
Investment Estate	(12,290)	(700)	0	**(12,990)**	0	(1,000)	(13,990)
Strategic Development	324	0	0	**324**	0	0	324
City Centre Regeneration	425	0	0	**425**	0	0	425
Housing & Residential Growth	1,577	0	0	**1,577**	0	0	1,577
Planning, Building Control & Licensing	(601)	0	0	**(601)**	0	(20)	(621)
Work & Skills	1,723	0	0	**1,723**	0	0	1,723
MAES	0	0	0	**0**	0	0	0
Our Town Hall Project	0	0	0	**0**	0	0	0
Total Strategic Development	**7,235**	**(700)**	**0**	**6,535**	**0**	**(1,020)**	**5,515**

6. Capital Strategy / Programme

6.1. The capital programme for Strategic Development totals £773.5m over the period 2018/19 -2023/24, this includes the Cultural programme, the Town Hall refurbishment, funding to support the Council's corporate estate, regeneration funding, and private sector housing. A summary of the current capital budget is shown in the table below, and details of the individual projects can be found in the Capital Strategy and Budget report for Executive in February:

Programme	2018/19 £m's	2019/20 £m's	2020/21 £m's	2021/22 £m's	Future £m's	Total £m's
Culture	26.7	55.2	40.2	4.7		**126.8**
Our Town Hall	11.1	24.4	67.7	103.3	94.9	**301.4**
Corporate Estates	49.2	50.7	29.8	15.6		**145.3**
Development	47.1	21.2	11.7	15.9	4.9	**100.8**
Private Sector Housing	27.8	24.7	30.5	8.7	7.5	**99.2**
Total	**161.9**	**176.2**	**179.9**	**148.2**	**107.3**	**773.5**

6.2. During 2018/19 work has progressed on the Factory cultural venue, particularly in regard to design and acquisition of land, and this will continue prior to the build programme commencing. The design team for the Town Hall project have been appointed, and the management contractor has also been appointed. Work is being undertaken on the delivery and cost plans.

6.3. The rolling Asset Management Plan has been ongoing providing works to the Council's corporate estate. The Council has acquired a number of strategic sites across the City, including the Spire hospital site. The refurbishment of Heron House is well underway and tenants are expected to move in during 2019/20, and the wider Estates Transformation plan has progressed with proposals brought forward for the refurbishment of Hulme District Office and Alexandra House, to support the corporate estate.

6.4. Design works for the Civic Quarter Heat Network, including resolution of legal issues regarding the structure of the finance model, have progressed and it is expected that construction will commence in 2019/20. The expansion of the City's digital base at One Central Park is ongoing.

6.5. Within Private Sector Housing, work on the Extra Care programme has continued, as has the regeneration project at Ben Street. Providing adaptations work through the Disabled Facilities Grant has also been ongoing. Proposals to bring into use empty houses and to provide accommodation for homeless families are being developed. The Manchester Life Development Company continues to successfully deliver the redevelopment of Ancoats and New Islington; works are beginning at Central Retail Park and the council intend to explore a viable meanwhile use to ensure we maximise the potential of the development.

6.6. The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive does provide information on the expected future investment requirements for the Council, including investment in the Manchester Aquatic Centre and National Cycling Centre, New Smithfield Market, key regeneration projects such as Wythenshawe Town Centre, and the investment required in Housing to increase the number of affordable homes.

7. Impact on Residents, Communities and Customers

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

7.2. The Directorate is proud of its contribution to the Council's re-accreditation as an excellent authority against the Equality Framework for Local Government and is committed to maintaining this standard. Ensuring that Directorate's equality considerations and priorities are clearly articulated through the business planning process is a crucial part of achieving this commitment. In 2017 the Directorate established an Equalities Working Group which is responsible for ensuring progress against the Directorate delivery plan and corporate priorities. The Group has met regularly and developed a new model of working to ensure consistent delivery against these priorities. This work is set out in detail in the Equalities Delivery Plan, attached.

7.3. The directorate is committed to securing social value through its commissioning and procurement processes. Working with the corporate Social Value Working Group the directorate will continue to refine the definition of social value, clarifying this for partners, actively monitor and learn from the initial projects, and develop a framework for assessing the collective additionality generated through social value. The Directorate also uses its asset base to support young people to gain employment. The Sharp Project (creative and digital office and production space) has established a social enterprise, Sharp Futures, to support diverse young people into employment in the creative, digital and technology sectors. By offering a range of interventions including apprenticeships, paid work experience and volunteering, Sharp Futures support the transition into work whilst responding to the fluctuating needs of the creative and digital sector.

8. Impact on the Workforce

8.1. There are no workforce reductions proposed in savings for 2019/20

8.2. To meet the challenge of affordable housing in the City, the Housing and Residential Growth service will increase its staffing establishment and further details will be shared in due course.

8.3. Key priorities for 2019/20 will include:

- The B-Heard survey results 2019/20 revealed a positive increase for scores relating to 'My Manager' factor. The Directorate is keen to ensure it builds on the strong and positive relationship between staff and managers and will continue to ensure all managers attend the Our Manchester Leadership and Raising the Bar programmes.
- The B-Heard survey also highlighted challenges with team work in some service areas, therefore the workforce development group will look to ensure all teams have tailored activities available to improve teamwork and cross service collaboration.
- 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 creates great accessibility to many local residents who may otherwise have barriers to accessing the employment market.

9. Technological Support

9.1. The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from both a Council and GM perspective. Additional ICT investment has been agreed as part of the three year budget strategy and a five year capital plan with 2019/20 being the third year of this investment programme.

9.2. During 2018/19 ICT investment has been made in the areas listed below. The initiatives are a mixture of systems to underpin departmental transformational agendas, the implementation of fit for purpose systems or to establish compliance in line with the ICT strategy.

- Universal Housing;
- Uniform Upgrade;
- Selective Licensing;
- Houses of Multiple Occupation Licensing;
- Universal Access phase 1.

9.3. Key priorities for 2019/20 will include:

- Completion of the NSC Rent accounting system with a modern supported fit for purpose alternative system significantly reducing the current risk to the Council (of continuing to use an old, unsupported, legacy platform) to deliver this service.
- Planning, designing and delivering the new Digital Experience Programme (which includes a new CRM) which will provide a CRM capability to enable

a more coordinated and joined up approach to communicating with, managing and targeting businesses across a wide range of services.

- Completion of the rent accounting element of the QL application which will allow the rent accounting team to be able to utilise the QL application to deliver their service.
- 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.
- Procure, design, deliver and test a replacement to the Uniform planning, building control and licensing application. This is the largest application in terms of users in the directorate and reflects a significant piece of work.

9.4. The above projects are prioritised against directorate and corporate objectives. ICT will continue to work closely with the Directorate in order to identify solutions that comply with the information and ICT design principles and to develop robust business cases to support their development.

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Appendix 1 - Delivery Plans

1. Revenue Financial Plan

Subjective Heading	2018-2019 Budget	2019-2020 Indicative Budget
	£'000	£'000
Expenditure:		
Employees	22,233	22,233
Running Expenses	38,380	38,380
Capital Financing Costs	237	237
Contribution to reserves	62	62
Total Subjective Expenditure	**60,912**	**60,912**
Less:		
Other Internal sales	(7,164)	(7,184)
Gross Expenditure	**53,748**	**53,728**
Income:		
Government Grants	(10,328)	(10,328)
Contributions from Reserves	(6,383)	(6,383)
Other Grants Reimbursements and Contributions	(152)	(152)
Customer and Client Receipts	(29,65)1	(31,351)
Other Income	1	1
Total Net Budget	**7,235**	**5,515**

2. Performance Plan

Our Plan Priority	Objective	Indicator	2017/18 result	2018/19 target	2019/20 target
Housing	Accelerate and sustain delivery of more housing, with enough affordable housing for those on low and average incomes, and improved quality of housing	Projected year end new homes built (excluding small developments) (MCC Policy)	2,869 (Q4 1718)	32,000 new homes 2015-2025	
		% of properties empty long-term (Council tax)	0.61%	Trends monitored	
		Number of sales to owner occupiers at or below average Manchester household income (MCC policy)	1,863	Trends monitored	
		All affordable homes delivered according to the government definition (incl. Affordable Homes Programme, PFIs and sites delivered through planning) (MCC Policy)	155 (15/16)	20% of the total units delivered 2015 - 2025 affordable	
		% of affordable owner occupier sales within 1 mile of a point in the City centre	28%	Trends monitored	
Growth that benefits everyone	Facilitating the Economic Growth of the City	Number of active enterprises (ONS Business Demography)	25,780 (2016)	Trends monitored	
		% of business surviving 3 years (ONS Business Demography) (Businesses born in 2013)	54.7% (2016)	Trends monitored	
		Number in employment (BRES)	392,000 (2017)	Trends monitored	

		Number of Planning Applications with fees of £50k + (MCC)	9	Income targets are set
		Office take up (million sq ft)	1.2m (2017)	Trends monitored
		Net annual Business Rate charges payable snapshot at date (MCC Business Rates)	£351.25m (Jan-17)	Trends monitored
		Businesses assisted to improve (minimum 12hrs support provided) (MCC Work & Skills)	190	Trends monitored
		Forecast number of hotel rooms in pipeline by end of year (MCC Policy)	866 (2018)	Trends monitored
		Total Rateable Value of all business properties in Manchester	£906,280,409	The council aims to grow the Business Rates base.
		Council Tax Base (number of Band D equivalents, without allowing for Council Tax Support)	151,652	The council aims to grow the Council Tax base.
	Facilitate the development of the City's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy	% of residents with access to high-speed broadband (Ofcom)	92%	Trends monitored
		Superfast/ultrafast broadband take-up by residential and SME premises (Ofcom)	46%	Trends monitored
	Support good-quality job creation for residents, and effective pathways into those jobs	Resident working age population qualified to NVQ level (ONS) NVQ 4+ NVQ 3+ NVQ 2+	(2017) 39.9% 58.5% 72.7%	The Council works with partners to support residents to grow their skills

		No qualification	11.1%		
		All ages apprenticeship starts (Manchester residents) (Skills Funding Agency)	3,720	Trends monitored	
		All ages apprenticeship achievements (SFA)	2,300	Trends monitored	
		Number of Secondary Schools in Manchester accredited with ‘Inspiring Information, Advice & Guidance Award’ at level 1 or above	18 (Q4 17/18)	Trends monitored	
		Enrolment on foundation courses incl. Literacy/Numeracy/ESOL (MAES)	3,151 (August 17 to July 18)	3,000 (18/19)	3,000 (19/20)
		% of employee jobs paid less than the living wage (ASHE)	15.2% (2017)	Trends monitored	
		% of Manchester residents paid less than the living wage (ASHE)	27.2% (2017)	Trends monitored	
		% of 50-64 year olds claiming an OOWB (JSA/UC/ESA)	24.3% (Feb-18)	Trends monitored	
		% of MCC spend from top 300 suppliers with organisations located in Manchester (CLES)	71.7% (16/17)	Trends monitored	
		Number of jobs created through the Council's procurement spend (CLES - based on a sample of 62 organisations from a total of 300)	1,160 (16/17)	Trends monitored	

Well managed council	Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours	Average days lost due to sickness per employee over a 12 month period	7.88	The Council aims to maximise staff attendance levels and move towards relevant sector benchmarks	
		Year to date agency spend (£'000s)	99	Downward direction of travel	
		Year to date % of apprenticeship starts against agreed commitment	85.7%	10	tbc
		YTD % stage 1 corporate complaints responded to within 10 working days	66.67%	96%	96%
		Year to date % of Ombudsman complaints upheld	No cases in 17/18	10%	10%
		Year to date % of FOI requests responded to by day 20	73.61%	90%	90%
		Year to date % of DSARs responded to by day 40	No cases in 17/18	90%	90%

3. Equality Overview and Action Plan

The City Council has adopted Inclusive Growth as a very explicit goal to help ensure that all residents can benefit from the considerable economic growth of the last twenty years. Ensuring that every resident benefits from the growth of a City remains a core priority for the Directorate and is fully embedded within the ongoing work to review the City's social housing allocation policy and the approach to affordable housing. Throughout the planning process the equalities impacts of this work has been firmly embedded and changes to some aspects of service provision have been implemented, for example the marketing and advertising company for affordable housing has been asked to use media channels to reach more diverse communities.

The directorate also ensures that it clearly demonstrated how equalities impacts are considered during the planning and delivery of any new developments ensuring compliance with national guideline and legislation.

Manchester's Extra Care development programme, giving greater housing choice for older people, is well underway. In total, 7 schemes are in development which will deliver nearly 500 apartments by 2022. This will take the total extra care apartments in the City to well over 800. Extra care for Lesbian, Gay, Bi-Sexual and Transgender (LGBT) elder residents which is part of an effort to improve residential care delivery for this protected characteristic group has been further developed during the year, a site has now been confirmed and the provision is being designed with input from an LGBT elder reference group. Similarly, the proposals for the major development Northern Gateway is currently exploring the potential for collaboration and co-design with age-friendly Manchester. The Directorate is also committed to promoting the diversity of the City; to commemorate the centenary year of women's right to vote, one of the new roads in Brunswick was unveiled as "Sylvia Pankhurst Way".

Work is continuing on four new supported accommodation schemes for citizens with learning disabilities. A ten apartment scheme in Harpurhey will be complete in December 2019; Northfields in Moston is progressing with an expected completion date of May 2019 and twenty units at Scout Drive in Wythenshawe are also expected to be complete in May 2019. Work is ongoing with Commissioners from Adult Social Care to choose the floor coverings, tiles and confirming assistive technology infrastructure to support residents in living independent lives.

In 2018/19 the Work and Skills team joined the directorate to further strengthen the links between residents and the opportunities provided through the growth of the City. The team also works with diverse communities to ensure all residents have equal opportunity to access training, develop skills and secure sustainable employment. The implementation of the Our Manchester Disability Plan has been strongly supported by the Work and Skills Team who have coordinated the work and skills workstream plan. This has involved securing commitment from a number of anchor institutions to achieving Disability Confident Leader status which requires employers to ensure that their recruitment and staff development processes are inclusive. The team has led on a number of positive action activities to prepare disabled people for work via work tasters sessions and visits to the council. A case study on this work which involved the co-design of the plan, changes to service provision and a real life example of an individual securing employment has been developed and shared to promote good practice. Based on feedback from disabled people, the team is coordinating a targeted recruitment event for disabled people in March. The Work and Skills Team has also been supporting a piece of work with GMCA to increase the number of BAME apprentices, sharing the personal and powerful insight of a higher level apprentice within the team around her experience of finding and progressing within work.

The management of our Operational Estate also ensures that when moving teams, all staff with additional needs are supported with a personal relocation plan and all refurbished offices are designed to attain the DFA2 standards within DDA legislation. Additional interventions in 2018/19 include EIAs for the refurbished Hulme District Office and on the lease of City Road East; within the Town Hall Extension a new dedicated expressing pod for mothers returning from maternity leave and the development of a new well-being space.

Review of Proposed Changes and Activities

Proposal	Proposed EIA Completion Date	Decision Date	Senior Management Lead	Comments on initial potential impacts
Factory	March 2020	2021	Head of City Centre Regeneration	World class cultural centre accessible by all residents.
Review of the Housing allocation scheme	June 2019	Sept 2019	Director, Housing and Residential Growth	Ensuring all Manchester Residents have equal access to social housing
Affordable Housing Policy	TBC	TBC	Director, Housing and Residential Growth	Ensuring all Manchester Residents have equal access to affordable
Housing solutions for residents	various	various	Director, Housing and Residential Growth	Ensure additional provision meets the needs of our diverse communities
All major residential and commercial developments	various	various	Strategic Director, Development	Ensuring residents benefit from residential and economic

				growth of City including employment opportunities
Refurbishment of Alexander House	March 2020	2021	Head of Estates	Changes to estate meets the needs of diverse staff and residents
Resident employer programme	various	various	Head of Work and Skills	To ensure residents benefit from employment opportunities
Skills Strategy implementation	March 2019	April 2019	Head of Work and Skills	To ensure all residents have equal access to sustainable employment

Monitoring of the Delivery Plan

The Directorate's Equality Champion will update this delivery plan and provide quarterly progress reports to both the Directorate Management Teams and the Corporate Equalities Champions Group. Progress on the delivery of this plans is also reported to the Communities & Equalities Scrutiny Committee. A directorate equalities working group which has been meeting for over 2 years with membership from each service area. The group manages the delivery plan, embeds equalities within ongoing service planning /delivery and also manages delivery against the corporate priorities. A new model has been developed which demonstrates the cyclical relationship between understanding our communities and customers, using this to inform our planning, implementing service delivery, and therefore engaging our diverse communities. An area on the intranet has been established to explain this model and provide a central place to share data, planning and guidance, and good practice case studies. These are all designed to deliver against the corporate priorities of: Knowing Manchester Better: Take the time to listen and understand; Improving Life Chances: We own it and are not afraid to try new things; and Celebrating Diversity: Proud and Passionate about Manchester's communities.

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4. Workforce Plan

This section sets out the workforce plan for Strategic Development; a small but important directorate which is made up of employees engaged in professional roles to colleagues undertaking manual work, therefore development activity needs to be appropriately managed to meet workforce needs.

Communication and engagement can be a challenging issue as not all employees in Facilities Management have access to work ICT systems including email addresses, however in the past year, these employees were trained and given access to the Council's intranet site.

Workforce Strategy

In order to deliver the Directorate's contribution to the Corporate Plan along with the 'Our Manchester' approach, the priorities will focus on building key skills which are listed below:

- Leadership and Management Capability
- Strengths based conversations
- Strategic Thinking
- Project Management
- Matrix Management and Partnership Working
- Commercial Skills
- Client and Contract Management
- Political Awareness

The Directorate will continue to promote About You discussions to ensure that workforce development needs are identified and align with the service plans.

Our Manchester Approach

The 'Our Manchester' approach provides collaborative and innovative approach to resident engagement. The Directorate's aim is to develop a resident focused workforce including working with partner organisations, who understand and are accountable for the impact of their decisions and actions on the lives of residents using a 'strengths based' approach. The Listening in Action and Our Manchester Experience sessions will help build employees' understanding of the approach.

Embedding Our Ways of Working (OWOW) in light of recent Timewise Accreditation

The Directorate will maximise flexible working practices in all service areas where possible to ensure it can attract a wide and diverse pool of talent allowing employees to balance their work life balance and taking into account personal needs (such as caring responsibilities).

Recruiting and attracting talent from Manchester residents (including apprenticeship opportunities)

The Directorate will identify positions to offer Manchester residents including apprenticeship roles and Intermediate Labour Market (ILM) opportunities from

Manchester College. The introduction of the Apprenticeship Levy has provided opportunities for the Council to deliver apprenticeships in a totally different way. The Directorate has ambitious targets to improve the skills and employment of young people in Manchester as well as increasing technical, management and higher level skills of its own workforce. The Directorate will offer roles for all levels including those coming in at an entry level for unemployed Manchester residents through to higher and degree level apprenticeships for upskilling existing employees where there are skills shortages in the Directorate.
The Directorate has identified that there are roles in service areas that are difficult to recruit to and in to attract a wider pool of high quality candidates, the Directorate will review job design, explore different recruitment & assessment methods and review job evaluation to ensure the role is graded correctly to attract the best applicants.

Leadership and Management Development
The need to build management capability (and capacity) in areas such as conflict management, handling difficult conversations, improving motivation in the team and absence management are pivotal in delivering business plans. The B-Heard survey revealed many comments from employees who believed their manager needed to take more robust action to tackle poor performance which was having a negative impact on the team.

Corporate leadership programmes such as 'Our Manchester Leadership' and 'Raising the Bar' will help facilitate management development. Coaching and mentoring opportunities will help managers to build skills on the knowledge learnt on the leadership programmes.

Workforce Development Plan
The Directorate has an active Workforce Development Group drawn from across its services. The Directorate will support encourage managers to ensure their team members have access to training, specifically mandatory and service specific development activity which allows services to develop commercial skills or provide new or improved services to residents and the community.

Team Development
The development of strong and high performing teams is a priority for Directorate and as such the Workforce Development Group will develop a suite of options to promote this including outdoor team building events, classroom style to competitive fun activities to suit different team learning styles.

Workforce Priorities

A summary of the Directorate's priorities is provided outlined below.

The Directorate will:

- Work to ensure the Our Manchester approach is further embraced and adopted by all employees.
- Continue to develop leadership and management capability.
- Review future staff resource meet the requirements of the Housing and Residential Growth service

- Enable succession planning and development for employees by maximising apprenticeship opportunities (for new and existing employees).
- Understand and respond to the outcomes of the BHeard survey with the aim of continually improving employee engagement and satisfaction levels.
- Identify and deliver skills and training for the Directorate through the creation of a Workforce Development Plan to be in place by 1 April 2019. This plan will provide added value/complement the corporate organisational development approach.
- Improve and strengthen team working (including across service areas) to ensure the best possible service is provided to residents.
- Continue engaging employees and ensure there is strong communication with the workforce via the delivery of staff conference(s) and weekly Directorate broadcasts.
- Improve the operation of an agile workforce by the promotion of ‘Our Ways of Working’ and flexible working practices.
- Work to reduce employee sickness absence.
- Continue to reduce reliance on agency and consultants and ensure that the Directorate develops the required talents in-house.

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5. Strategic Risk Assessment and Register

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
1	Workforce	Workforce development and apprenticeship offer does not progress at the required rate to ensure the Directorate has the skills and experience necessary to deliver against its objectives.	Workforce Development Plan Regular scrutiny and discussion at Workforce Development Meetings and DMT Directorate quarterly HR dashboard tracks progress of apprenticeships and workforce development spend. Monitor workforce budget spend throughout year	4	2	8: Medium	Regular communication to employees and service. Ensure process to access training & development is easy, accessible and shared with service areas Maximise use of apprenticeship levy. The full workforce development budget was is on track to be spent by end March 2019. Exceeded apprenticeship target for 2018/19.	HR Business Partner
2	Service Delivery (Corporate risk)	The operational estate does not meet the Council's needs in the context of required capacity and transformation and	The restructure of the Strategic Development Directorate has been successfully implemented this includes the full introduction of the Corporate	3	4	12: Medium	Stock surveying that determines content, scope and condition have been undertaken. Deliver against clearly articulated 5 Year	Director of Development and Corporate Estate

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
		opportunities for co-location with partners. The emerging nature of demands and requirements within existing resources could potentially mean that the service cannot meet the requirements as well as being safe, secure and effective within timescales, resulting in ongoing/planned work having to be deprioritised.	Landlord, and moving Estates and Facilities into a single function, with appropriate resourcing to deliver estates rationalisation & transformation. Corporate estates have been focusing on utilising MCC assets to their optimum potential to accommodate staff during the Town Hall decant and mitigate external rental commitments. The establishment of strong governance arrangements through the Estates Board and Executive Member. Estates Board ensures corporate oversight and priority is given to this work. Planned programmes of security awareness training for all staff. High level governance ensures high prioritisation of maintenance of the operational estate, stock condition surveys				Estates strategy that reflects corporate priorities, which includes how we approach Integration and co-location. Plan for potential impacts of any required Town Hall decant (both Estates & FM impacts) to support renovation and change of use. Deliver planned refurbishment programmes necessary to prepare for releasing the poorer quality assets. Delivery of business continuity plan refresh, leading to the development of building continuity plan (Dec 18). Continue to identify refurbishment schemes that attract capital funding rather than delivery through	

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
			have significantly enhanced knowledge and are used to inform planned work programmes, enhanced business continuity delivery programme to support Property Rationalisation Strategy, Control processes agreed with Facilities management.				the Asset Management Plan.	
3	Service Delivery (Corporate Risk)	Failure to deliver the spatial framework, GM Strategy and Our Manchester targets for attractive and increased housing offer, infrastructure improvements attracting new businesses and improving skills impacts on pace of growth in the City and achievement of future financial assumptions over NNDR and council tax income.	Residential Growth Board, Joint ventures including Manchester Life (Eastern Gateway), Far Eastern Consortium (Northern Gateway), Spinningfield, Mayfield, St Johns, Eastlands Strategic Development Company. Review of the Manchester Local Plan and officer influence over the GM agenda	4	3	12 Medium	Continued emphasis on gathering sophisticated market intelligence re market conditions, enabling prediction of market changes and adaptation as a result. Influence the policy direction of the GM Spatial Framework for planning.	Strategic Director for Development

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
4	Service Delivery	Failure to put in place the necessary arrangements to enable our target of a minimum of 32,000 homes over 10 years (2025) and which will also meet the political priorities associated with the affordability of those homes.	The Residential Growth Strategy is live and sets out how the residential pipeline necessary to maintain the City's economic growth will be met. Residential growth governance arrangements are in place to ensure a strong set of project boards that ensure delivery of residential growth are in place. A set of detailed policy proposals relating to Affordable Housing will be submitted to Executive in early 2019. A significant amount of development activity will be taken forward with JV partners (i.e. Northern and Eastern Gateways plus Matrix Homes). MCC will need to commit sufficient staff resource to service these JV arrangements and to oversee and maintain	3	3	9: Medium	Ensure that Strategic Development are resourced to take direct responsibility for delivering the key actions within the delivery plan that accompanies the Residential Growth Strategy. Develop strategy and priorities for further growth in the tax base to maximise income generation 6,000 homes are completed with 14,000 in the pipeline for delivery by March 2021. This leaves 5,000 of the original target to identify and deliver in remaining 4 years. Focusing on delivery whilst market conditions are	Director of Housing and Residential Growth

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
			robust joint Action Plans with JV partners.				relatively strong and ahead of risks such as Brexit. Mitigation plans are being developed to manage the unknown impact of Brexit through using public land/funding stimulus. Due to good progress to date, proposals/agreed to increase the target to 32,000, still from April 2015 to March 2025. Staffing capacity is being reviewed to ensure the service is able to meet the demands. An Affordable Housing Action Plan (in response to the new policy proposals approved by the Executive in December 2019) will be taken	

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
							back to the Executive in early 2019.	
5	Service Delivery (Corporate Priority)	Delivery of the City Centre Review fails to fully engage local businesses or businesses are not equipped to meet the emerging needs. Review of CityCo (City centre management company) is not successfully resolved.	City Centre Accountability Board and performance reporting framework.	2	4	8	Ongoing joint approach through the City centre Accountability Board, and robust performance management.	Head of City Centre Growth and Regeneration
6	Service Delivery	Requirements for registered housing providers to reduce rents over the four years commencing 2016 has led to a deficit emerging within the HRA.	A full review of the HRA will be undertaken over the next year which will not only look at how Northwards can be more sustainable in a climate of reduced rents but alternative arrangements to an ALMO managing council housing stock is considered.	4	3	12: Medium	A proposed HRA budget has been developed, and this will continue to be reviewed. The review will also include the costs associated with delivering the 3 Housing PFI contracts	Director of Housing and Residential Growth

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
							The current HRA model will be reviewed to determine which resources could be released over a 30 year period for investment. The HRA Board has full oversight of all issues.	
7	Service Delivery	The management of the investment property estate fails to achieve the income targets set within the 3 year budget strategy. Less profitable parts of the portfolio are not offset by opportunities to increase income elsewhere.	Work will continue to be undertaken to manage the risk associated with those parts of the investment estate. The re-tender of the Jacobs contract ensures a more robust management of the investment estate but a sharing of risk and reward.	2	3	6: Low	Following a detailed business case reviewing the Asset a significant investment in Heron House commenced in Jan 18.and has secured an exceptional quality tenant on a full rent. Further work across the Investment Estate portfolio will ensure that opportunities to increase income are maximised.	Director of Development and Corporate Estate

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
							We closely monitor risks to the income arising from legacy leases on a small but financially sensitive number of assets. The new Jacobs management contract provides a better structure to manage the estate. New opportunities to generate long term income from the City Council's land and property asset base will continue to be explored and evaluated, along with ongoing reviews to ensure costs against the estate are controlled.	
8	Service Delivery	Factory Manchester is not completed to time and to budget. This is	Board in place, with regular activity being reported back through DCMS.	2	4	8: Medium	Activity plan will be presented back to government at regular	Project SRO (City Treasurer)

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
		a highly complex capital scheme which will deliver a state of the art international arts venue. Inability to deliver will significant put the City's reputation as a cultural centre at risk.					points. Transition funding being sought to support the setup of the new organisation that will have responsibility for the building. Additional capital funding and revised timescales have been agreed.	
9	Financial	Financial pressures on the Facilities Management Budgets due to delay in re-contracting Security and Maintenance Contract are not met.	Regular oversight through the Estates Board and the Directorate Savings and Pressure Programme Board.	4	4	16:High	There has been a delay in the re-procurement of both the security and maintenance contract. As a consequence the council has had to secure a further extension for the contract. The emerging pressures are expected to be managed within the existing budget.	Director of Development and Corporate Estate.

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
							The Repairs contract is due to be awarded in May 2019 and the financial pressures will be assessed. The Security contract is due to be concluded in Autumn 2019.	
10	Service Delivery (Core Priority)	Inability to develop, design and deliver major infrastructure projects across highways linking with strategic development plans, to time, quality and on budget.	Arrangements to ensure senior officer and member engagement through project boards; major project governance structures include SMT level Senior Responsible Officers and project boards; Financial approval and reporting on budget and spend via revised / strengthened capital gateway processes, SMT leadership of Capital Investment Board; Reports to Executive and Scrutiny Committee	3	3	9 medium	Ongoing involvement in senior level boards	Strategic Director for Development
11	Service Delivery	Slowdown in economic growth/investment due	Planning fee income has exceeded target however	3	4	12: medium	A planned review of planning fee income,	Head of Planning,

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
		to exiting the European union will have a direct impact on Planning income, future development opportunities and economic growth of the City.	this is volatile and a smoothing reserve has been established in the event that planning fee income reduces.				potential increases in fees and potential to re-invest into improving planning services.	Licensing and Building Control
12	Service Delivery	Working Well expansion does not deliver the 20% job outcomes and 15% sustained job outcomes for residents at a distance from the labour market. There have been some performance issues with the Working Well pilot and expansion in the City.	Working Well Integration Board ensures Council and partners align priorities and services to support WW delivery. Performance is managed by the GMCA team and we are working closely with them to support the providers to link with job opportunities in the City and to address performance issues, as well as working directly with the providers ourselves.	3	3	9: Medium	Continue to work closely with both providers and with the GM team in terms of any mitigating or contractual actions that need to be taken and ensure that as the Work & Health programme moves to implementation it is well integrated and focused on delivery from the outset. Significant improvements to performance have been made in 2018/19 and the Manchester	Head of Work and Skills

ID	Category	Risk Description	Existing Controls	L	I	Risk Score	Response Actions /Progress	Risk Owner
							Growth Company is confident of achieving the target by the end of December 2018.	
13	Financial	Failure to agree funding for the Manchester College's estates strategy bid from the GM Skills Capital Fund	The Head of Work and Skills and Director of Strategic Development continue to work closely with the Manchester College /LTE group to develop options that are fundable and deliverable including a phased approach. There is also ongoing dialogue with the Combined Authority.	3	4	12: Medium	GMCA has agreed in principle a GM Skills Capital grant of up to £25m to support the Manchester College's estates strategy, subject to due diligence. MCC's Executive approved loan funding to the LTE Group of £27.6m to support the College's, this was agreed by Council in Jan 2019. Final sign off of the GMCA Skills Capital bid will go to the GMCA at the end of January 2019.	Head of Work and Skills

Manchester City Council
Report for Resolution

Report to: Executive – 13 February 2019

Subject: Housing Revenue Account 2019/20 to 2021/22

Report of: Strategic Director (Development) and City Treasurer

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Purpose of the Report

This report presents members with details on the proposed budget for the Housing Revenue Account (HRA) for 2019/20 and an indication of the 2020/21 and 2021/22 budgets.

It seeks approval for the 2019/20 HRA budget, and the proposed average rent reduction of 1% for all properties with the exception of properties managed under a Private Finance Initiative (PFI) contract, where the rent will be increased by CPI (at September 2018) plus 1%.

The proposed rent changes are 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 Executive is recommended to:

a) Note the forecast 2018/19 HRA outturn as set out in section 4.

b) Approve the 2019/20 HRA budget as presented in Appendix 1 and note the indicative budgets for 2020/21 and 2021/22.

c) Approve the proposed 1% decrease to dwelling rents (subject to the exceptions outlined above), and delegate the setting of individual property rents, to the Director of Housing and the City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

d) Approve the proposal that where the 2019/20 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

e) Approve the proposed 2019/20 changes for communal heating charges as detailed in paragraphs 5.15 to 5.19.

f) Approve the proposed 2019/20 Northwards management fee as detailed in paragraphs 5.27 to 5.28.

g) Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

h) Note the issue regarding the 53 week rent year reported in paragraph 5.10 and the impact on income in both 2019/20 and future years of the HRA business plan.

Wards Affected: Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley, Moston, parts of Ancoats and Clayton, Ardwick, Bradford and Miles Platting and Newton Heath

Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	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	The supply of affordable good quality homes will provide the opportunity for Manchester residents to raise their individual and collective aspirations.
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 been contained with 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 2019/2020 – 2021/22 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 2019-20 excluding monies from reserves is forecast to be approximately £85m.

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 2019/20 HRA budget includes a forecast depreciation charge of £17m, which will be set aside to fund capital investment.

The 2019/20- 2021/22 capital programme includes HRA capital expenditure of around £103m, this is in line with the current proposed budget. From 2022/23 onwards the HRA budget includes an annual capital budget of c.£24m per annum which increases annually in line with CPI.

An independent review of the current stock condition is to be undertaken in 2019/20, this will help to inform future years' capital investment needs to ensure that the housing stock continues is maintained.

The HRA budget already allows for the costs and implications of the following new build programmes:-

- Brunswick PFI New Units
- North Manchester New Build 1 Programme
- North Manchester New Build 2 Programme

Work is ongoing with financial modelling of the following schemes and it is proposed that these will be included with the HRA budget going forward.

- North Manchester New Build 3 Programme
- Newton Heath Extra Care Scheme.

Alongside the above new build programmes there are other priority schemes that will need to be considered as part of the HRA budget work, including:

- Collyhurst Programme if Government funding not forthcoming
- Refurbishment and demolition of Maisonettes in Northwards area.

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Background documents (available for public inspection):

None

1. Introduction

1.1. The purpose of this report is to approve the Housing Revenue Account (HRA) 2019/20 budget and provide members with recommendations for approval in respect of the 2019/20 tenants' rent, garage rents and communal heating charges.

1.2. This report sets out the HRA budgetary proposals for 2019/20, and the indicative position for 2020/21 and 2021/22. 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 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, and this is reflected in the business plan. The Government have recently undertaken a consultation on future rent policy from April 2020, the consultation sought views on whether social rent policy should revert to the original policy and be increased by up to CPI plus 1% for the five year period commencing 2020/21. The outcome of the consultation is still awaited.

2.5 The change to rent policy resulted in a loss of rent income and this reduced the HRA reserves position. The current business plan shows that reserves fall below the £50m level required to avoid having to pay increased interest charges on debt in 2029/30, and the reserves are forecast to run out by 2039/40. There are many variables that could impact upon the existing forecasts, in particular the level of future years rent increases. What is clear is that further savings over the short/medium term will have to be identified in order to ensure that the HRA does not run into a deficit. Work is ongoing to review all of the income and expenditure in the HRA to ensure that the account does not go into deficit in the longer term, and resources from within it can be identified for future investment.

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 2018/19

4.1. The latest HRA forecast as at December 2018 shows that the forecast expenditure is £9.533m lower than budget, this results in an in year surplus of £2.764m that will be credited to the HRA reserve compared to the original withdrawal of £6.769m. The main reasons for this change are as follows:

- RCCO - £9.911m underspend – Following the decision to install sprinklers in multi-storey blocks, the capital programme has been re profiled, with much of the originally planned expenditure moving into 2019/20.

- Housing Rents - £339k underspend – This is due to an increase in the rents collected due to a lower than forecast levels of void properties, and a lower number of right to buy sales compared to the original forecast.

- Contractor payments - £0.586m overspend – Expenditure on the Brunswick scheme is £0.573m higher than budgeted, mainly due to agreed changes to the original contract. The main changes relate to the proposed deletion of four new build properties from the programme, and the removal of a phase of refurbishment/remodelling of infrastructure.

- Other minor overspends of £131k.

5. Budget Strategy 2019/20 - 2021/22

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, the Government's decision to impose a 1% rent reduction over four years from 2016/17 reduced income to such an extent that the HRA does not remain in surplus over the life of the 30 year business plan based on current assumptions. An action plan is being developed in order to identify efficiencies that can be made to ensure that reserves are kept at a sufficient level to enable risk to be managed and resources to be available to fund future works required.

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 (RP's). In the current financial year Right to Buy Sales (RTB) of around 175 properties. This is less than the number sold in 2017/18 and is thought to be due to the tailing off of the initial impact of the introduction of improved discounts in 2015/16. 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 2019/20 budget which is forecasting an in year deficit of £10.352m. This is due to the increased level of programmed capital investment in 2019/20 and will be funded through a draw down from reserve.

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 had to be reduced by 1% p.a. for the four year period 2016/17 to 2019/20 inclusive. Previously, Government had advised that rents would increase by CPI + 1% until 2024/25. In 2016/17 the rent reduction did not apply to sheltered housing or PFI properties, however for 2017/18 and the following three years, only PFI properties are exempt, and those rents have (and will continue to be) increased by CPI plus 1%. CPI at September 2018 was 2.4% and it is proposed that rents for PFI properties will increase by 3.4% in April 2019. The Government have recently undertaken a consultation exercise which indicated that April 2020, social rents can be increased by CPI plus 1% for a five year period, and this has been factored into the business plan.

5.7 For those properties where formula rent has not been achieved (app 1,000 properties), if the property becomes vacant the rent can then be increased to formula rent when the property is re-let.

5.8 This report seeks approval to amend tenants 2019/20 rents as follows:

- Increase PFI rents by 3.4% in line with Government guidance.
- Reduce rents for all other dwelling houses by 1%.

5.9 The budget has been prepared on this basis and would produce an average weekly rent (based on 52 weeks) of:

- General Needs £71.96
- Supported Housing £65.23
- PFI Managed £83.86

5.10 Rent is usually calculated on the basis of a 52 week rent year, but because in an average year there are 52.17 weeks, it is necessary to include an extra week every 5 or 6 years to remain in line with the calendar year, and this has previously resulted in a 53 week rent year for tenants. As part of implementing the Universal Credit system this has not been considered, and the Government have advised that Universal Credit will not reflect the 53 weeks due, and will continue being payable for 52 weeks and paid in 12 monthly instalments. 2019/20 is a 53 week year, and the gross rental debit for one week is currently in excess of £1.1m. In the 30 year HRA business plan, there are six 53 week rent years. The implication of losing these additional weeks rental income is approximately £12m over life of the plan. There are approximately 10% of tenants currently in receipt of Universal Credit, but as Universal Credit continues to be rolled out this number will increase, until all of the circa.60% of tenants currently in receipt of benefit are paid via Universal Credit.

The position is being reviewed nationally, but until a resolution is identified that does not adversely impact on tenants it is not proposed to pass the additional rent costs onto tenants in 2019/20, and the costs of reduced rental income will be borne by the HRA.

Other Income

5.11 Other income is forecast to be around £1.093m 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

5.12 As part of the PFI negotiations for the Brunswick scheme, the Council agreed to make a capital contribution totaling £24m between 2014/15 and 2019/20, and this realises savings of c.£48m over the life of the PFI contract, through lower annual Unitary payments.

5.13 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.

5.14 "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. The current PFI reserve will continue to remain frozen at £10m as at 31 March 2019 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, because of significant changes from year to year, coupled with the inefficiency of some of the heating systems in operation, there are instances where this does not occur. In 2018/19 it is estimated that the shortfall of income collected will be approximately £57k.

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 increase by around 26%.

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 increase the current heating charges by between 17.8% 71.9%.

5.18 In order to protect residents, many of whom are vulnerable and find themselves in financially challenging situations, it is proposed that any increase in heating charges are capped at 20%, and the difference between the actual increased gas costs and charges to tenants will be funded from the HRA. This will increase the shortfall on heating charges by £47k and the total cost to the HRA in 2019/20 will be £104k. The proposed 2019/20 heating charges for each scheme are shown in Appendix 2 and this also includes both 2017/18 and 2018/19 for comparison purposes.

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 depreciation charge in 2019/20 is £17.279m and this be used to fund capital expenditure.

Debt Financing and Borrowing Costs

5.21 The 2019/20 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. This provides the benefit of 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, 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 ensure that the increased costs of borrowing are factored into the project costs.

5.22 It should be noted that the Government has recently 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 £50m required to continue funding the proportion of debt in 2029/30, 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, which has reduced reserves by approximately £100m based on the reduction in 2019/20, 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 provision for an annual increased contribution towards the provision for bad debts. The 2018/19 actual required provision for bad debts is expected to be around 1% of rental income, this is lower than the 2% that was allowed for as part of the approved budget. The forecast reduced rent collection has not materialised, in part because of the delays in the rolling out the Universal Credit scheme and also because of the good work undertaken with tenants to provide help and support in order to help tenants manage the impact. Despite the good performance in 2018/19, the continued roll out of Universal Credit will impact on rent collection rates although the increase provision has been pushed back to later years. The provision will remain at the 2018/19 actual rate of 1% in 2019/20 and will then be increased annually by 0.5% from 2020/21 until 2025/26 at which point it will peak at 4%, it is then planned to reduce by 0.5% per year until it levels out at 2% 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. The current budget includes the previously agreed 1% reduction in the Northwards management and maintenance for 2019/20.

5.28 As part of agreeing the fees payable for 2020/21 onwards negotiations will commence early in 2019/20, it is hoped that a longer term fee can be agreed that covers 2 or 3 years, rather than an annual budget in order to provide Northwards with some certainty and enable them to plan longer term.

Other Expenditure

5.29 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

5.30 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 at 2% for 2019/20 and thereafter.

The 2% inflationary increase will only be applied to costs that are not already known, currently the rent income, the PFI unitary charges, the Northwards management fee and the Council's staffing costs are known for 2019/20, so the 2% will only apply to a small proportion of the HRA costs.

6. Garage Rents

6.1 As part of the 2015/16 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. This was to be applied for the five year period 2015/16- 2019/20, so this will be the final year of the original agreed increase. Therefore, it is proposed that 2019/20 garage rents increase by 2.92%, and the impact of the increase is shown in the table below:

	Annual Charge 2018/19	Weekly Charge 2018/19	Proposed Weekly Charge 2019/20	Proposed Weekly Increase
Site Only	£93.64	£1.80	£1.85	£0.05
Prefabricated	£207.66	£3.99	£4.11	£0.12
Brick Built	£244.01	£4.69	£4.83	£0.14

7. Reserves Forecast

7.1 Current projections now show that due to the 1% rent reduction, the HRA will no longer generate annual surpluses over the duration of the business plan. Based on the current assumptions within the plan, the HRA continues to hold sufficient surpluses in its reserves to avoid paying an increased amount of interest for the next ten years, but after that it incurs additional costs and moves into an unsustainable position in 20 years' time.

7.3 The table below sets out details of the anticipated HRA reserves position, over the next three years if there are no additional investment proposals above the approved amounts included for RCCO and the contribution towards Brunswick capital costs. Given the low interest rates payable on balances, the HRA is currently using around £50m of its own reserves to internally fund part of the HRA debt rather than take out external borrowing. This provides annual interest savings of around £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 2039/40.

Reserves Forecast 2018/19 to 2021/22

7.4 The table below sets out the forecast reserves position for 2018/19 and the next three years. Based on the December forecast position the HRA closing reserves are forecast to be £102.7m, but these are forecast to reduce by over £10m in 2019/20 and further reductions in the following two years. The reductions in reserves relates predominantly to the ongoing capital investment proposals.

Reserve Description	**2018/19 (Forecast) £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
General Reserve (including Major Repairs reserve)	67,397	56,845	35,135	26,771
Insurance Reserve	1,306	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	**102,703**	**92,351**	**70,841**	**62,677**

7.5 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 2019/20.

7.6 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 2019/20, 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 enable's continued savings on HRA costs through self-funding part of the HRA debt and ongoing contributions toward the capital costs of the Brunswick PFI scheme until 2019/20. There is also an increased level of capital works over the 3 year period 2019/20 – 2021/22 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 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 2018/19 – 2021/22

	2018/19 (Forecast) £000	2019/20 £000	2020/21 £000	2021/22 £000	See Para.
Income					
Housing Rents	(60,279)	(59,914)	(61,239)	(62,462)	5.6
Heating Income	(709)	(734)	(749)	(764)	5.15
PFI Credit	(23,600)	(23,586)	(23,374)	(23,374)	5.12
Other Income	(1,093)	(1,166)	(1,157)	(1,047)	5.11
Funding from General HRA Reserve	2,764	(10,352)	(21,510)	(8,164)	7.1
Total Income	**(82,917)**	**(95,752)**	**(108,029)**	**(95,811)**	
Expenditure					
Northwards R&M & Management Fee	20,583	20,417	20,699	20,943	5.27
PFI Contractor Payments	35,322	33,418	36,227	31,356	5.12
Communal Heating	766	838	855	872	5.15
Supervision and Management	5,270	5,118	5,172	5,243	5.29
Contribution to Bad Debts	1,206	604	925	1,258	5.25
Depreciation	15,184	17,279	17,460	17,611	5.20
Other Expenditure	1,317	1,525	1,347	1,282	5.29
RCCO	0	13,749	22,565	14,483	5.29
Interest Payable and similar charges	3,269	2,804	2,779	2,763	5.21
Total Expenditure	**82,917**	**95,752**	**108,029**	**95,811**	
Total Reserves:					
Opening Balance	(99,939)	(102,703)	(92,351)	(70,841)	7.1
Funding (from)/to Revenue	(2,764)	10,352	21,510	8,164	
Closing Balance	**(102,703)**	**(92,351)**	**(70,841)**	**(62,677)**	

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Appendix 2

Proposed Heating Tariffs

The table below shows the proposed heating charges for 2019/20 after an increase capped at a maximum 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	Estimated Property Numbers 19/20	17/18 Weekly Charge	18/19 Weekly Charge	19/20 Proposed Weekly Charge
Flat 1 Bed	Grove Village Tenants	12	£9.56	£7.65	£9.01
House 2 Bed	Grove Village Tenants	59	£11.81	£9.45	£11.13
House 3 Bed	Grove Village Tenants	86	£14.84	£11.94	£14.07
House 4 Bed	Grove Village Tenants	24	£17.23	£13.78	£16.23
Flat 1 Bed	Northwards Sheltered - Boiler Supply	116	£5.99	£5.57	£6.68
Flat 2 Bed	Northwards Sheltered - Boiler Supply	67	£7.79	£6.76	£8.11
Flat 1 Bed	Northwards Sheltered - Other supply	14	£5.99	£5.57	£6.68
Flat 2 Bed	Northwards Sheltered - Other supply	11	£7.79	£6.76	£8.11
2/4 Block	Northwards 2/4 Blocks - All Others	120	£8.28	£5.61	£6.74
2/4 Block	Northwards 2/4 Blocks - Fuel Supplement,	35	£0.71	£0.48	£0.58
Mulitstorey Flat	Northwards - Multistorey - Sandyhill	37	£5.79	£5.47	£6.56
Type A	Northwards - Victoria Square	51	£7.16	£7.13	£8.56
Type B	Northwards - Victoria Square	50	£7.61	£7.67	£9.20
Type C	Northwards - Victoria Square	14	£8.42	£8.25	£9.90
Type D	Northwards - Victoria Square	32	£8.64	£8.57	£10.28
Type E	Northwards - Victoria Square	12	£10.99	£10.98	£13.17
Caretaker	Northwards - Victoria Square	1	£15.29	£13.15	£15.78
Flat 1 Bed	Brunswick Sheltered	20	£5.99	£5.57	£6.68
Flat 2 Bed	Brunswick Sheltered	8	£7.79	£6.76	£8.11

Point of Sale Scheme	**Estimated Property Numbers 19/20**	**17/18 Charge (per unit of heat)**	**18/19 Charge (per unit of heat)**	**19/20 Proposed Charge (per unit of heat)**
Grove Village	324	7.39p	5.91p	6.96p
MECO	288	7.39p	8.13p	9.76p
Northwards 2/4 Blocks	3	7.39p	8.13p	9.76p
Northwards Multistorey	445	7.39p	7.36p	8.83p
Victoria Avenue (removed Wbeck)	470	6.89p	5.43p	6.52p
Brunswick Multistorey	258	7.39p	8.13p	9.76p

Manchester City Council
Report for Resolution

Report to: Health Scrutiny Committee – 5 February 2019
Executive - 13 February 2019

Subject: Manchester Health and Care Commissioning - Adult Social Care Business Plan and Pooled Budget contribution 2019/20

Report of: Director of Adult Social Care
Ian Williamson – Chief Accountable Officer, Manchester Health and Care Commissioning

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Summary

Manchester Health and Care Commissioning (MHCC) is responsible for commissioning health, adult social care and public health services for the city of Manchester. Building upon its establishment in April 2017, MHCC has operated a single planning, delivery and assurance process since April 2018. This has overseen all of MHCC's commissioning responsibilities and includes single budget arrangements.

This report sets out the priorities for MHCC during the 2019/20 financial year and progress towards the vision set out in the Our Manchester Strategy. The report provides an update on MHCC's financial plan for 2019/20, reflecting the Manchester Health and Care Locality Plan and Adult Social Care Business Plan for the period 2017-2020. The report is a refresh of the Joint Financial Plan for MHCC for 2018-20 in the context of changing resources, challenges and opportunities – with a specific focus on the Adult Social Care and Population Health components of the plan.

The draft business plan which was considered by the committee in December 2018 has been further developed into this report based on the comments received from the committee and the outcome of the local government finance settlement. Sections on the impact of proposed changes on residents, communities, customers and the workforce have been added in addition to a summary of the technological support to deliver change. A full suite of delivery plans can also be found as an appendix including the Finance, Performance, Workforce and Equality Plans and the Risk Register.

Taken together with other Directorate business plans this plan shows how health and social care partners will work with the Council to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Executive is invited to review and comment on the Manchester Health and Care Commissioning Business Plan.

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	N/a

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 2019/20 and revenue contribution to the Manchester Health and Care Commissioning Pooled Budget for Adult Social Care for approval by the Executive in February 2019.

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Background documents (available for public inspection):

Manchester Health and Care Commissioning Pooled Budget 2019/20, including Adult Social Care - Health Scrutiny, 4th December 2018

Adult Social Care Budget and Business Plan 2018-20 and Manchester Health and Care Commissioning Joint Financial Plan 2018 - 2020 - Executive – 7 February 2018

1. Manchester Health and Care Commissioning Operational Plan

1.1 The Locality Plan, 'Our Healthier Manchester', represents the first five years of ambitious, transformational change needed to deliver this vision. The Manchester Health and Care Commissioning (MHCC) Operational Plan for 2019/20 incorporates the plan for adult social care and public health which is set out from paragraph 2 below and includes:

- A description of the service's contribution to delivery of our Corporate Plan priorities
- The service's vision and objectives
- A self-assessment of the key challenges for 2019/20
- The revenue strategy
- The capital strategy/programme
- Impact on Residents Communities and Customers
- Impact on the Workforce
- Technological Support
- An appendix containing the service's delivery plans (Finance Plan, Performance Plan, Workforce Plan, Equality Plan, and the Strategic Risk Assessment and Register)

2. Delivering Our Plan

2.1 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.

2.2 The Locality Plan, 'Our Healthier Manchester', represents the first five years of ambitious, transformational change needed to deliver this vision.

2.3 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.

2.4 The strategic aims of Our Healthier Manchester are to:

- Improve health and well-being in Manchester
- Strengthen the social determinants of health and improve healthy lifestyles
- Ensure services are safe, equitable, and of a high standard, with less variation
- Enable people and communities to be active partners in health and well-being
- Achieve a sustainable system

2.5 The Locality Plan will be the main driver of the priorities within the MCC Corporate Plan regarding healthy, cared-for people, which are:

- 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, and delivering new models of care

2.6 Strengthening the social determinants of health is central to the Locality Plan, and will be influential in delivering other MCC Corporate Plan priorities, such as:

- Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless
- Reduce the number of children needing a statutory service
- Support more Manchester children to have the best possible start in life and be ready for school and adulthood
- Support good quality job creation for residents and effective pathways into these jobs
- Balance our budget, including delivering savings, reducing demand through reform, and generating income

2.7 The Manchester Locality Plan describes a clear ambition for a healthier city, underpinned by integration, including the establishment of a 'Single Commissioning Function' in the form of the MHCC Partnership. The Partnership was established on 1 April 2017, enabled by a pooled budget of over £1.1 billion between the City Council and CCG.

2.8 The Partnership is currently planning for its third year of operation as an integrated health and care commissioner; seeking to strengthen MHCC's joint arrangements through improved business and financial planning, to ensure that the pooled budget is directed towards joint priorities that will improve the health and wellbeing of Manchester's residents and wider healthcare population.

2.9 The commissioning and procurement of the Manchester Local Care Organisation (MLCO) for community health remains ongoing to ensure the MLCO contract will be awarded once all of the requirements of the commissioners, providers, and regulators have been met. In the meantime, the development of the MLCO continues to take place with Adult Social Care services continues under a Partnering Agreement.

3. Vision and Objectives

Manchester Health and Care Commissioning

3.1 The MHCC strategic aims are the same as the Manchester Locality Plan, these are to:

- Improve health and well-being in Manchester
- Strengthen the social determinants of health and improve healthy lifestyles
- Ensure services are safe, equitable, and of a high standard, with less variation

- Enable people and communities to be active partners in health and well-being
- Achieve a sustainable system

3.2 The MHCC Operational Plan for 2019/20 sets out five key priorities for the health and social care system. Delivering these five priorities will drive the strategic aims of the Locality Plan set out above. These are:

1. Key enabling programmes, including – embedding the Our Manchester approach, demonstrating impact through effective evaluation, organisational development, full use of Manchester Care Record
2. Tackle health inequalities, including – delivering the Population Health Plan, inclusion health, and the wider determinants of health and well-being
3. Transform community based care, including – delivering health and care in neighbourhoods, embedding new models of care, primary care, residential, nursing and homecare, cancer, mental health, learning disabilities, and children's health transformation
4. Transform hospital based care – Single Hospital Service, link with GM hospital improvements, and performance improvements
5. Deliver a transformed health and care system – delivering financial balance, provider change

Manchester Local Care Organisation (MLCO)

3.3 MLCO is a Partnership organisation that was established on the 1st April 2018. It is a partnership of statutory and voluntary organisations working together to change how health and care is provided in people's homes and communities.

3.4 The vision for the MLCO is to bring together NHS community health, mental health services, primary and social care services in the City, to lead local care and improve lives in Manchester. The MLCO has started the journey to integrate health and care in communities, and embed new models of care at a neighbourhood and locality level.

3.5 In 2019/20, MLCO will build on its approach in the first year and is in the process of developing the MLCO business plan for 2019/20. This will outline the objectives and priorities for 19/20 and the key actions within MLCO and in work with partners to deliver those objectives. The plans will describe how the LCO will work to:

- Promote healthy living
- Build on and work within vibrant communities
- Keep people well in the community
- Support people in/out of hospital

3.6 MLCO is building the plan in partnership with services and staff and will align it to the objectives described within the Locality plan and MHCC operating plan. It will describe how the partnership will work to deliver the requirements of the NHS Long term plan and Local Government green paper once published.

Adult Social Care Priorities

3.7 Adult Social Care is a core part of the integrated set of services in MLCO. It is primarily located within priority number three of the MHCC plan, but has links across all five priorities. The priorities for adult social care in 2019/20 are set out in the following paragraphs.

3.8 Continuing to improve the delivery of business as usual – our statutory duties under the Care Act (individual well-being, prevention, integration, information advice and advocacy, care markets, safeguarding, assessment, charging, care planning and personal budgets)

3.9 Adult social care improvement work to put the right foundations in place through work to embed streamlined process, effective practice, and an enabled workforce with the right resources in place to manage demand. This work is focused on strengthening our:

- Assessment function including social work and primary assessment team
- Provider services including our supported accommodation, reablement and supporting independence services
- Safeguarding and Quality Assurance functions

3.10 System-wide work on integration and transformation, through:

- New models of care (i.e complex reablement, assistive technology, extra care housing, Our Manchester homecare, development of new approaches to residential and nursing care)
- Effectively meeting need - implementing strengths based approaches, expanding shared lives, mental health improvement, transition and crisis need pathways
- Transformation workstreams (i.e assistive technology, integrated front door, learning disabilities)
- Integrating adult social care into the MLCO to develop a social model of care (e.g. social work practice and processes within the Integrated Neighbourhood Teams)

3.11 Adult social care improvement is a key priority for 2019/20, ensuring the basics are in place for adult social care and to successfully deliver health and social care reform and integration. A programme plan for this work is in place, based on the outcomes of a diagnostic work summarised in section 4. Key areas of focus in the plan include:

- Ensuring that **processes** are streamlined and consistently managed across the service**.** This work will align responsibility and decision making to effectively meet people’s care needs and maximising the opportunities afforded by the new case management system, LiquidLogic. Collectively this work is critical in ensuring delivery of an improved service delivery and value for money.
- Strengthening the basics of social work **practice** including

accountability and management support and appropriate supervision
- Ensuring that appropriate professional standards are in place across the workforce and strengthened **workforce** planning and career pathways
- Understanding the immediate need for **resources** to stabilise the service, as well as work to design a fit for purpose structure for the future as part of the integrated structure within MLCO. In the short term permanent recruitment to roles is an increasingly key requirement where appropriate to build high quality teams.

3.12 The plan requires additional investment for permanent posts to strengthen the structure by increasing capacity in social work, safeguarding, the Citywide Care Homes Team, the Learning Disability service and other specialist services. Greater internal capacity for Best Interest Assessors supporting Deprivation of Liberty Safeguards and making permanent some of the social care capacity to support the prevention of delayed transfers of care from hospital is also included in the plan. These priority areas have been identified in part as a bridging position as further work is progressed on an integrated health and social care service in the partnership with MLCO.

3.13 In total it is estimated that this would be the recruitment of an additional permanent circa 100 full time equivalent posts which includes areas of the service where capacity has been met by temporary posts and short term contracts as recurrent funding has not been in place. Further detail on the planned resourcing of this investment is described at section 5.

Manchester Population Health Priorities

3.14 The Directorate of Population Health and Wellbeing is an integral part of MHCC and incorporates the statutory functions and mandated responsibilities for Public Health at the City Council. The Director of Public Health retains a reporting and accountability link back to the City Council. The mandated responsibilities include delivery of the Healthy Child Programme and National Child Measurement Programme, Health Protection, NHS Health Checks, Open Access Sexual Health Services.

3.15 The MHCC Operational Plan for 2019/20 reflects the five priorities contained in the Manchester Population Health Plan agreed by the Health and Wellbeing Board in March 2018. The implementation of programmes relating to these priorities is led by the Population Health and Wellbeing Team. The priorities are:

Priority 1	Improving outcomes in the first 1,000 days of a child’s life
Priority 2	Strengthening the positive impact of work on health
Priority 3	Supporting people, households and communities to be socially connected and make changes that matter to them
Priority 4	Creating an age-friendly city that promotes good health and wellbeing for people in mid & later life
Priority 5	Taking action on preventable early death

3.16 Key Successes during 2018/19:

- MLCO went live on 1 April 2018 which created a recognised organisational identity amongst 2700 partnership staff and undertook a city wide leadership event across health and social care
- Supported the flow of patients with long lengths of stay in hospital back into the community with the correct support
- Progress with the Manchester Single Hospital Service (SHS) Programme following the creation of Manchester University NHS Foundation Trust (MFT) in 2017, to establish the new trust and realise benefits for patients
- During 2018 there has been a focus on the arrangements in place for MFT to complete the proposed merger with North Manchester General Hospital
- The Population Health Plan (launched in March 2018) began its implementation
- The latest figures (December 2018) for Healthy Life Expectancy (proportion of life years spent in good health) show a welcome increase both Males and Females in Manchester, from 54.3 and 54.6 years respectively in 2014-2016 to 56.5 and 56.2 years in 2015-2017. This is a statistically significant increase of 2.2 years for Males and an increase of 1.6 years for Females, compared to an increase of 0.1 for Males and a decrease of 0.1 for Females in England. Although Healthy Life Expectancy in England is still higher the gap with England has been narrowed which will support our efforts to reduce health inequalities
- Alcohol related hospital admissions continued to fall from 861/100,000 population in 2014/15 down to 741.2 in 2016/17
- The teenage pregnancy rate continues to fall (32.3/1000 females aged 15-17 in 2014) down to 25.5 (quarter 3, 2017)
- The Be Well Social Prescribing Service became fully operational across the city with the south and central service commencing in November 2018. The service is designed to improve the health and wellbeing of local residents with long term health conditions or whose social circumstances mean that they are at increased risk of poor health.
- MLCO mobilised new care models including High Impact Primary Care, Manchester Community Response, Extra Care, Reablement – expansion of the existing service and a new Discharge to Assess service and Complex Reablement services, Prevention – Community Links for Health service has commenced in Central and South, with the majority of Health Development Coordinators now in place
- A new approach to delivering Homecare – Our Manchester Homecare – is now out to tender, to go live in 2019/20. This is built around the strengths of each person cared for, the outcomes that matter to them, continuity of care, a place-based approach, and with higher pay and increased skills for staff
- Winter resilience planning using funding allocated to the City Council, aligned with other health funding and developed jointly with partners across the health and social care system.

4. Self Assessment of Key Challenges in 2019/20

4.1 Health and Social Care

4.1.1 The MHCC priorities for 2019/20 have been informed by an assessment of key information and data, and by engaging partners, the workforces and the Patient and Public Advisory Group. Information sources included:

- Development of evidence to provide consistent processes for how information is collated and utilised by MHCC to generate intelligence and Joint Strategic Needs Assessment
- Engagement with Senior Leadership Team
- Review of progress against the 2018/19 MHCC Operational Plan and assessment of progress made by key workstreams
- Commissioning Intentions
- Review of the requirements for delivering the Locality Plan
- Review of Greater Manchester plans and programmes

4.1.2 MHCC Board receives a monthly report summarising the quality and performance highlights for the whole health and social care system. The report covers key national, regional and local key performance indicators. The November 2018 report is available to read here: https://www.mhcc.nhs.uk/wp-content/uploads/2018/11/3.1-PQI-One-Report_Nov-2018_RPdraftv0.3_19.11.2018-1.pd

4.1.3 Some of the key measures of quarterly performance across the system and on new models of care are as follows:

- Delayed Transfers of Care increased 1.4% in the first two quarters of the year in comparison with same period in the previous year.
- In the first quarter of 2018/19 there was 8.5% increase in the number of A&E attendances for individuals within the target cohort compared with the same period in the previous year.
- In the first quarter of 2018/19 there was 22.4% increase in the number of non-elective admissions for individuals within the target cohort compared with the same period in the previous year.

4.2 Adult Social Care performance

4.2.1 Targeted work by the Acting Director of Adult Social Services (DASS) to address performance challenges through the improvement work is described at section 3, which will tackle challenges arising from the diagnostic work including:

- waiting lists for assessments, reassessments and reviews
- increase in safeguarding enquiries
- increase in Deprivation of Liberty Safeguards referrals

4.2.2 Admissions to Nursing Care remained broadly the same in the first 8 months of the year (April to November) in comparison with the same period in the previous year. By contrast, admissions to Residential Care increased by 6.8% or 12 admissions for the same timeframe.

4.2.3 Home Care hours saw an overall increase of 9.4% (18,254 hours) between April and November 2018 compared to the same period last year. There was notable increase in the number of Home Care hours in June 2018; 12% increase from June 2017 and a 4% increase between May and June 2018. However, this has now tapered off and there has been a steady decrease month on month between July and November.

4.2.4 In the first eight months of financial year, 52% (578 out of 1122 people) left the Reablement Service with no further care commitments, this is under the 54% target, but 3% better than the previous year. 1154 citizens have been accepted into Reablement between April and November 2018, the target for the financial year is 2963 citizens which has impacted on planned reductions in homecare hours and subsequent savings.

4.2.5 Eight out of eleven (73%) services provided directly by MCC currently have Good CQC rating and 3 are rated as 'Requires Improvement'. Social care-related quality of life score, based on results of the statutory annual Adult Social Care Survey, decreased from 18.4 in 2017 to 18.3 in 2018.

4.3 Finance and value for money

4.3.1 The MHCC Pooled Budget for 2018/19 is £1.1 billion, the financial position at the end of December 2018 is an overspend of £3.2m relating to an overspend on ASC. The overspend on the ASC element of the pooled budget is largely from the delayed implementation of the new care models and other savings schemes. From the net planned savings for 2018/19 of £8.519m, savings of £2.673m are expected to be achieved in 2018/19. Demography funding has been applied to support the budget position based on estimated growth in demand since the start of the year. There is also a budget pressure of c£1m on Agency staff for in-house services which is now part of MLCO. A recovery plan for this pressure is in development by MLCO.

4.3.2 The savings schemes approved for the 2018-20 budget remain as planned but the delivery of benefits and cost of models have changed to reflect phasing and mobilisation during 2018/19. A re-assessment of potential savings from new care models and other schemes has taken place during November 2018. Gross savings of £7.909m are projected in 2019/20. Further information on the detail of each savings scheme and the savings schedule is provided in Appendix 3.

4.3.3 Financial risk will continue in 2019/20 as the transformation programme is implemented and the delivery of savings from the cost of care are realised. The reported budget position is supported by significant non-recurrent resource from the Adult Social Care grant to support capacity and transformation activity which adds to the risk if the new care models are not able to have expected impact on reducing demand. For 2020/21 the evidence of impact from the new care models on reducing demand and costs will inform the revised medium term financial plan.

4.4 Workforce

4.4.1 Enabling the workforce to be resilient, effective, creative, ambitious and innovative through embedding Our Manchester and developing a culture of trust, honesty and empowerment is critical and we are committed to plan for the future workforce. There is a commitment to ensure staff are equipped with the skills and knowledge needed to be able to work in an Our Manchester way. We are supporting our managers through Our Manchester Leadership and Raising the Bar training. There is also a full programme of development for managers and those working within integrated neighbourhood teams.

4.4.2 There will be a renewed focus on getting the basics right with the development of a new workforce strategy to underpin improvement activity and address what matters most for the recruitment and retention of quality staff, for example, access to development and progression, career pathways, grow your own schemes, apprenticeships and other development opportunities, and strong management support and professional supervision.

4.4.3 It is essential that we continue to embed the Our Manchester approach and behaviours throughout the workforce and in the services approach to delivery. A key enabler in delivering the priorities set out in this plan is enabling staff to understand, buy in to and have tools and techniques to start to work in an Our Manchester strengths based way. A system-wide programme for all staff across all parts of the Manchester system is under development, building on the existing Our Manchester experience and expanding its remit so that it is more reflective of partnership working and that there is a stronger focus on winning hearts and minds and enabling staff to develop practical tools and techniques to apply the approach in their workplace. The programme comprises a range of inter-connected parts including building rapport, Our Manchester context, introduction to strengths, hearts and minds and the Our Manchester behaviours, practical tools and techniques for working in a strengths based way, connecting people and place and moving to activation. The programme has been co-designed with broad input from staff across the system and is subject to testing in December and January before being rolled out from February with an initial priority focus on the MLCO workforce.

4.4.4 This Our Manchester approach to the workforce equally applies to our valued, external delivery partners who deliver the day to day care to Manchester residents. Manchester has committed to introduce Unison's Ethical Care Charter and to work with providers to promote and embed strengths-based approaches. The new Our Manchester Homecare service, to be launched in 2019/20, is a key example of this, where Manchester Health and Care Commissioning have co-designed the requirements of the service, emphasising the importance of training and development opportunities for staff, as well as good working conditions, to help ensure that staff are motivated and they have the skills and resources they need to deliver high quality care to Manchester residents. Similarly other new services that will be commencing in 2019/20, such as new housing related support services for people who are homeless, also have explicit requirements around the delivery strengths-based approaches and ensuring providers have the right skills and experience to deliver these. Over this next year MHCC and MLCO will continue to work with providers to help embed these new ways of working and develop the health and care workforce.

4.4.5 It will be important to wrap a programme of business readiness around the roll out of the strengths based development programme, working with different services across the health and social care system to ensure they are being proactive in identifying the conditions for change that need to be in place to enable staff to be practically supported to work in a strength based way. This could include changing systems, processes and governance, building new relationships within neighbourhoods to support a community first approach and changing the relationship between practitioners and commissioners to ensure that as strengths based assessments result in needs being met in different ways, the right services are available for practitioners to draw upon.

4.4.6 Significant investment in digital solutions to support residents to be more independent will mean big changes for how the workforce operates and will need to be enabled through a programme of culture change and organisational development. Building the confidence and understanding of staff in the potential impact that digital solutions can have will be key to this along with working through the impact of workforce practices, approaches and deployment.

4.4.7 The service will continue to embed the Activator programme which enables staff to get involved in shaping and developing change across Adult Social Care. Building on the success of the two Activator conferences held in 2018 and the four thematic self-managing teams, a further Activator conference will be held in the spring which will extend across the MLCO ensuring health colleagues have the same opportunity to get involved and influence programmes of change.

4.4.8 There will be continued implementation of phase 1 of the MLCO operational facing structures which includes completion of the recruitment for the Integrated Neighbourhood Team roles, with supporting induction and development programmes. This phase will include the review of the remaining adult social care structures supported by the improvement plan to respond to the overall resourcing capacity and required reform. Work will also commence to review corporate structures and access to core services. Phase 2 will link into MHCC Phase 2 structural change with a number of services likely to move from MHCC to MLCO.

4.4.9 To support the improvement plan, the service is developing a rolling recruitment and advert for social workers and are working with HR to look at creative ways to attract social workers to Manchester. The service is developing a Communication and Engagement strategy to support greater engagement with the deployed and remaining workforce. Actions arising from the latest BHeard survey will be captured as part of the Adult Social Care Improvement plan

4.4.10 To underpin the further development of partnerships and integrated working, a number of key HROD processes will be reviewed. This will include, approaches to recruitment and resourcing, governance/assurance, workforce information data management and OD across the partnerships. This work will include support to integrated managers through a series of information briefings/workshops.

4.4.11 Through the Workforce Assurance Dashboard and associated action plan, we will continue to monitor and address issues relating to high sickness absence, high agency usage, high of overtime, and support the future workforce planning process. Work will be required to align the metrics to reflect partnership working. Measures that are already in place to address some of these issues are the flexible deployment of staff to cover pressure areas, continued close scrutiny of the staffing rota systems and absence clinics across all service areas.

4.4.12 In relation to workforce metrics, the average of 14 days per FTE employee has been lost due to sickness over the last 12 months, 14% decrease in comparison with the previous year and about 2 days higher than MCC average.

4.4.13 Adult Social Care saw a 5% improvement in its staff engagement score this year, as measured through the BHeard Survey, and is now firmly in the 'One to Watch' category. Responses in the category related to management showed the biggest increase, with improvements in the 'Personal Growth' factor also. - Strengthening engagement levels across the service senior management cohort and improving wellbeing across Services are two areas of focus identified by the Survey.

4.5 <u>Governance and assurance</u>

4.5.1 Manchester's health and social care governance arrangements are led through MHCC's Executive Committee, reporting to the Board. City Council representation includes at least one Executive Member and another position nominated by an Executive Member, currently the City Council Chief Executive, with the City Treasurer in attendance.

4.5.2 The City Council has entered into a partnership to formally establish MLCO and to ensure the delivery of integrated health and social care services. The partnership compromises four provider organisations Manchester City Council, Manchester Foundation Trust, Manchester Primary Care Partnership and Greater Manchester Mental Health Each of the four partners have two places on the LCO Board and one vote. For Manchester the LCO Board is represented by an Executive Member and another position nominated by the Executive Member, currently the Deputy Chief Executive.

4.5.3 Manchester City Council and NHS Manchester CCG have agreed a pooled single commissioning budget for health, adult social care and public health from April 2018 with a Section 75 Partnership Agreement and Financial Framework. There is the Manchester Agreement, which sets the overall financial context for health and social care, including detailed financial and activity assumptions.

5. Revenue Strategy

5.1 Introduction

5.1.1 This section of the Business Plan sets out the financial context and the proposed budget for 2019/20. The key elements are:

- 2019/20 is the continuation of the three year budget for Adult Social Care and the overall priorities and direction remains unchanged

- There is continued uncertainty around the longer term funding for adult social care (and indeed local authorities) and the fact the Adult Social Green paper is yet to be published.

- The agreement of a longer term joint funding strategy with the CCG which includes an ongoing £4m contribution to the MHCC Pooled Budget (subject to formal agreement by the March 2019 CCG Board)

- Use of the additional one off funding received as part of the Autumn Statement and Local Government Finance Settlement to support a joint ASC improvement programme and system wide resilience – underpinned by a three year funding strategy. This totals £4.225m in 2019/20 of which £1.456m is met from the Resilience Grant and £784k, with the ability to increase to the full **£1.567m** in 2019/20 if recruitment can be accelerated and £1.202m from partnership resources.

- Underwrites the continuation of the **£2.667m** Resilience Grant funding for the three year period. This includes the £1.456m to support the Improvement Plan above and the further £1.2m to support placement costs and other measures agreed in conjunction with partners.

- Updates the budget for the fully year effect of the delays in achieving planned savings and the associated Recovery Plan actions in 2018/19. This has had the impact of reducing the level of gross savings achievable from the delivery of the new care models by **£3.343m**.

- Taken together the above represents additional investment of **£7.6m** over and above the **£3.8m** investment agreed as part of the 2018/19 budget setting process. **A combined total of £11.4m.** It is also in addition to the additional costs of meeting inflation and the costs for implementing the national living wage of £7.9m.

- The underlying assumptions around the costs of demand, implementing the national minimum wage and inflation remain valid and are unchanged.

- Includes Recovery Plan measures as set out in the December Business Plan of £3.543m.

5.1.2 The 2018 Autumn Budget at the end of October confirmed the Government's commitment to growth for the NHS of £20.5 billion a year in real terms by 2023/24. In response the NHS has developed a Long Term Plan, in which 2019/20 will be the foundation year which will see significant changes to the architecture of the NHS. Funding has been front loaded into the first year to ensure that NHS Provider organisations return to balance on the proviso that no national reserves are being held centrally to cover unauthorised deficits. The change in architecture includes payment reform, a new financial framework for Providers and CCGs for which guidance is still being issued. Draft organisational level funding has been issued along with detailed deliverables across the whole of the NHS.

5.1.3 As part of the 2018 Autumn budget and December 2018 finance settlement the government announced £240m of additional funding for 2018/19 and 2019/20 for councils to spend on adult social care services to help councils alleviate winter pressures on the NHS, getting patients home quicker and freeing up hospital beds across England. The allocation to the City Council, which is based on the Adults Relative Needs Formula, totals £2.67m in each year. The use of the 2018/19 allocation was agreed between partners and at the Council's Executive in December 2018. At that committee it was also agreed to recruit to the associated posts on a permanent basis which in effect commits £1.5m of the 2019/20 allocation. The funding will be smoothed over 2-3 years to support the creation of a sustainable establishment to manage both the homecare mobilisation and the waiting lists to support the health and social care system to manage winter pressures. The proposals for deployment have been aligned with other funding and developed jointly with partners across the health and social care system.

5.1.4 The government announced a further £410m which can be applied to both Adult and Children's Social Care, of this Manchester will receive £4.555m in 2019/20. This will be partly used over a number of years to support the programme of improvement work which is underway in adult social care described in section 3 above. The Council is using the additional one off funding it has received across three years to avoid increasing the budget and then having to make significant cuts in 2020/21 when the new Finance Settlement is announced.

5.1.5 The Government's Green Paper regarding care and support for older people was expected in 2018 linked to the 10 year NHS plan. It is hoped that the paper will set out plans to improve care and support for older people and tackle the challenge of an ageing population. The Ministry of Housing, Communities and Local Government (MHCLG) has also consulted on proposed changes to the Adult Social Care Relative Needs Formula. The present formula has been in place since 2005/06, with some elements using the 2001 Census information. It is likely that it will be 2020/21 before any changes are now concluded.

5.2 Adult Social Care budget 2018/19

5.2.1 The Council's element of the Manchester Health and Care Commissioning (MHCC) Pooled Budget relates to Adult Social Care services, excluding Homelessness, Voluntary and Community Sector grants and the Adults Safeguarding service. Table 1 sets out the base budget for Adult Social Care in 2018/19 of £185.913m of which £4.213m is out of scope of the pooled budget and £181.700m is in the scope of the pooled budget.

Table 1: 2018/19 Base budget

Service Area	2018/19 Gross Budget	2018/19 Net Budget	2018/19 Budgeted Posts (FTE)
	£'000	£'000	
Assessment & Support	8,559	6,140	223.86
Care	66,536	41,122	335.59
Commissioning	9,515	8,979	32.20
Business Units	5,444	5,129	468.80
Learning Disability	59,297	51,989	46.65
Mental Health	25,219	23,192	7.00
Public Health	39,428	37,275	44.36
Back Office	14,834	6,692	
Infl & National Living Wage	1,181	1,181	-
MHCC Pooled Budget	**230,012**	**181,700**	**1,158.46**
Asylum	2,911	57	8.00
Commissioning	2,040	1,819	-
Safeguarding	2,544	2,337	40.50
ASC Services Out of Scope	**7,495**	**4,213**	**48.50**
Total	**237,507**	**185,913**	**1,206.96**

5.2.2 The Council's budget for Adult Social Care is currently projecting to overspend by £3.2m. Whilst the underpinning assumptions around increasing demand and inflationary pressures have been within the funding allocated, the delay in the implementation of the new care models has meant that the planned reductions in residential and nursing and home care costs have not been achieved. The 2019/20 budget has re-phased the savings delivery and investment to take this into account and has also added additional investment to ensure that the core social work capacity and skills are in place to deliver. The non-achievement of savings remains the biggest budget risk in 2019/20.

5.2.3 The Council's contribution to the MHCC 2018/19 pooled budget for ASC approved by the Executive in February 2018 was £186.475m. During 2018/19 this budget has been adjusted as per the below to give a revised Pooled Budget position of £185.700m which reflects the ASC budget of £181.700m plus £4m non-recurrent contribution from MHCC agreed last year:

- It has been reduced by £1.265m for inflation which applied to Homelessness which is not within the Pool

- Reduced for £268k corporate savings and other adjustments reported throughout the year
- Reduced for the £1.525m inflation and £383k national living wage funding not required. This has been added to the Adult Social Care Reserve
- Increased for the £2.667m Winter Pressures Funding confirmed in December 2018

5.3 2019/20 Adult Social Care Budget

5.3.1 Further to progress made with new care models and saving schemes during 2018/19, the development of the ASC Business Plan priorities for 2019/20 and an assessment of cost pressures, a proposed update to the financial plan for the ASC budget in 2019/20 is set out in the paragraphs to follow.

5.3.2 The overall strategy around the effective integration and reform of health and social care to deliver improved outcomes and financial sustainability remains unchanged. However Adult Social Care is also a service that is dependent on a number of short term funding streams and in order to ensure a high quality social care service and deliver the volume of change required it is important that an adequate and permanent structure is in place. The substantive proposed change to the ASC budget for 2019/20 is to fund the ASC improvement plan described in section 3. This will put in place the right foundations on a sustainable basis to support the transformation and integration with health through embedding streamlined processes, effective practice and an enabled workforce with the right resources in place to effectively manage demand. The estimated total budget requirement for ASC capacity is £4.225m in 2019/20 rising to £4.8m from 2020/21:

- **£1.067m** in 2019/20 rising to **£1.4m** from 2020/21 (c60 fte) for additional capacity in Social Work, Safeguarding, the Citywide Care Homes Team, the Learning Disability service and other specialist services. Greater internal capacity for Best Interest Assessors supporting Deprivation of Liberty Safeguards
- **£0.5m** in 2019/20 rising to **£0.75m** in 2020/21 for proposals in development i.e. social work career pathway and additional team manager capacity for the in-house Learning Disability Accommodation Service
- From the £2.667m ASC grant funding for winter pressures and the temporary capacity agreed by Executive in December 2018, 18 fte posts are proposed to be included in the structure on a permanent basis to enable successful recruitment and retention of staff. This includes 8 posts for the Homelessness Service which will be charged to ASC. This would be a cost of **£1.456m** per annum over a three year period to be met from the grant. It is important that a substantial part of the 2019/20 resilience grant is retained for 2019 winter arrangements and this would leave a balance of £1.210m for 2019/20 and its use will be agreed with partners and reported back through the Health and Wellbeing Board
- Funding of **£0.713m** is required to make permanent 18 fte social workers posts historically funded by the CCG and recruited to temporarily

specifically for social work capacity in hospitals. The permanent funding of this from 2019/20 is being considered by MHCC Executive

- Funding of **£490k** is required for 9 social worker managers for the Integrated Neighbourhood Teams managers to be funded from MCC reserve in 2019/20 for the LCO with funding from 2020/21 to be reflected within the new INT structures in relation to overall ASC capacity the Council would utilise £1m of the Adult Social Care reserve to support the Locality Care Organisation.

5.3.3 As the additional funding allocated in the Autumn Statement for social care is inadequate to cover all of the pressures and there is a need to provide a stable funding base beyond 2019/20, the grant funding has been combined with a number of, largely adult social care related, one off resources to create a reserve to be used over a three year period. During this period it is anticipated that the capacity requirements will change further to reflect transformation of services, further integration with health, improved practice and an overall stabilised and more efficient service, supported by the need for a fully costed MLCO structure during 2019/20. Table below sets out the costs and funding.

Table 2: Adult Social Care Capacity

ASC Capacity – costs and funding	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**
New ASC workforce capacity	1,067	1,400	1,400
Other i.e social work career pathway	500	750	750
ASC Seasonal Resilience	1,456	1,456	1,456
Health legacy seasonal resilience	713	713	713
New INT Team Mgr cost (9 fte)	490	490	490
Total	**4,225**	**4,809**	**4,809**
Funded by :			
ASC reserve/social care grant	1,567	2,150	2,150
ASC Seasonal Resilience grant	1,456	1,456	1,456
Health funding (tbc)	713	713	713
LCO INT funding from MCC	490	490	490
Total	**4,225**	**4,809**	**4,809**

5.3.4 To fund the proposals above, in addition to the ASC winter pressures grant of **£2.667m**, the 2019/20 budget will be increased by a further £1.567m for the improvement plan. To reflect the likely timescales for recruitment the sum of £1.567m for 2019/20 will be phased with **£784k** added to the ASC budget and the remaining **£783k** held by the Council in the Adult Social Care Reserve to be drawn down as required in year.

5.3.5 Other main changes to the budget are the review of the new care models and other savings schemes. Whilst the delivery of the new care models and the other savings proposals will continue as planned, the delivery of the associated benefits and implementation costs have changed in line with the revised mobilisation timescales. This has reduced the estimated gross savings by **£3.343m**.

5.3.6 Taken together the £784k ASC Improvement Plan funding and £3.343m reduction in gross savings results in a proposed net increase to the ASC budget of **£4.127m** for 2019/20.

5.3.7 To identify measures to support the budget position in 2019/20 recovery proposals totalling **£3.543m** are proposed:

- A reduction of £1.825m in the cost of the new care models as per the latest assessment
- Application of £1.568m of unspent ASC grant to be carried forward to 2019/20
- Additional savings of £150k from Adult Social Care from the Learning Disability budget from an expansion of the existing Shared Lives programme

5.3.8 The detail of the planned savings and revised phasing is set out in paragraph 4.3 above with Appendix 3 providing more detailed information on the changes in the value of savings and costs and individual schemes.

5.3.9 Table 3 shows the proposed Adult Social Care budget for 2019/20 is £198.263m, this is £194.050m for the MHCC pooled budget and £4.213m for ASC services out of scope of the partnership arrangements.

Table 3: 2019/20 proposed changes and revised budget

Service Area	**2018/19 Net Budget**	**Approved savings**	**Investment and other changes**	**2019/20 Net Budget**	**2019/20 Identified pressures**	**2019/20 Recovery proposals**	**Proposed 2019/20 Net Budget**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assessment/Support	6,140	(37)	(192)	**5,911**	869	0	6,780
Care	41,122	(3,963)	(2,004)	**35,155**	3,258	(2,522)	35,891
Commissioning	8,979	0	0	**8,979**	0	(871)	8,108
Business Units	5,129	0	0	**5,129**	0	0	5,129
Learning Disability	51,989	(375)	(585)	**51,029**	0	(150)	50,879
Mental Health	23,192	(125)	217	**23,284**	0	0	23,284
Public Health	37,275	10	0	**37,285**	0	0	37,285
Back Office	6,692	4,472	4,069	**15,233**	0	0	15,233
Infl / Nat Liv Wage	1,181	0	7,944	**9,125**	0	0	9,125
Demography	-	0	2,335	**2,335**	0	0	2,335
Pooled Budget	**181,700**	**(18)**	**11,784**	**193,466**	**4,127**	**(3,543)**	**194,050**
	57	0	0	**57**	0	0	57

Asylum Commissioning	1,819	0	0	**1,819**	0	0	1,819
Safeguarding	2,337	0	0	**2,337**	0	0	2,337
Other ASC	**4,213**	**0**	**0**	**4,213**	**0**	**0**	**4,213**
Total	**(1)185, 913**	**(18)**	**(2) 11,784**	**197,6 79**	**4,127**	**- 3,543**	**198,263**

(1) 2018/19 net budget includes £2.667m ASC Winter Pressures grant for seasonal resilience

(2) MTFP Investment and other changes of £11.784m includes £3.840m(3) for investment and £7.944m for the Inflation and National Living Wage

(3) £3.840m 2019/20 investment was agreed as part of 2018/19 budget. This is made up of £15.1m agreed additional investment plus demographic growth of £2.3m. This has then been reduced by £5.7m investment included in 2018/19, £4m MHCC risk share contribution and reduction in ASC grant between in 2019/20 of £3.9m

5.3.10 In total there is new investment in 2019/20 of £11.4m for ASC which represents £3.840m investment agreed in February 2018, Adult Social Care grant for seasonal resilience of £2.667m, identified pressures of £4.127m (para 5.3.6) and funding for ASC Improvement Plan held in Corporate budget of £783k (para 5.3.4)

6. Capital Strategy/Programme

6.1 The capital programme for Adult Social Care totals £23.8m over the period 2018/19 -2021/22, this includes the creation of a health hub in Gorton. A summary of the current capital budget is shown in table 4 below, and details of the individual projects can be found in the Capital Strategy and Budget report for Executive in February:

Table 4: 2018/19 – 2021/22 Capital Budget

	2018/19 £m's	2019/20 £m's	2020/21 £m's	2021/22 £m's	**Total £m's**
Gorton Health Hub	1.4	10.2	8.6	2.6	**22.8**
Other	0.7	0.3			**1.0**
Total	**2.1**	**10.5**	**8.6**	**2.6**	**23.8**

6.2 Work is progressing on the design and tenancy framework for the Health Hub, which will bring together key organisations responsible for tackling worklessness and low skills.

7. Impact on Residents, Communities and Customers

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

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

7.3 Adult Social Care services continue to play a pivotal role around equalities through its work with key cohorts:

- Adults of working age
- Older People
- People with No Recourse to Public Funds
- Homeless people with care and support needs
- Learning and physically disabled people
- People with complex needs, including substance misuse, alcohol dependency and mental health needs
- Individuals with chaotic lifestyles and those who present with increased risk to fulfil the prevention duties in the Care Act

7.4 There are key developments looking ahead that will have an impact on equalities including the integration of health and social care and the health and wellbeing of adults living in communities. There is a significant opportunity to address the following areas:

- Health inequalities and life chances
- Transition to adulthood
- The benefits of health and social care integration
- The reduction in social isolation of older people through the age-friendly work

7.5 All partners involved in delivering the Locality Plan are well aware of the need to undertake EIAs on service changes resulting from transformation. Partners have developed capabilities to do this on an individual and collective basis, driven by the scale and speed of change experienced in both the health and local government sectors over the last five years.

8. Impact on the Workforce

8.1 The role out of the strengths based way of working will impact on all staff across the workforce as they will be required to have a different cultural approach and behaviours to delivering services. This is supported through a programme of activity that comprises a range of inter-connected parts including building rapport, Our Manchester context, introduction to strengths, hearts and minds and the Our Manchester behaviours, practical tools and techniques for working in a strengths based way, connecting people and place and moving to activation.

8.2 It is imperative that there will be fundamental shifts to roles and capacity through the implementation of phases one and two of the MLCO, and phase 2 of MHCC. Whilst this will result in different ways of working and the requirement to develop new skill sets, until this work commences in detail, the full workforce impact will not be known.

8.3 In addition the Adult Social Care improvement plan includes work to review the adult social care structure to ensure the establishment is appropriately scaled and located, within MLCO and in particular the INTs. This work will include a consideration of demand, benchmarking with other local authorities, appropriate case holding levels, statutory requirements, role mix and career pathways.

8.4 The impact of integrated management structures will also require us to think differently on how day to day management and professional report are delivered. This is part of the Phase 1 considerations.

9. Technological Support

9.1 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from both a Council and GM perspective. Additional ICT investment has been agreed as part of the three year budget strategy and a five year capital plan with 2019/20 being the third year of this investment programme.

9.2 During 2018/19 ICT investment has been made in the areas listed below. The initiatives are a mixture of systems to underpin departmental transformational agendas, the implementation of fit for purpose systems or to establish compliance in line with the ICT strategy (some initiatives include external investment):

- Liquidlogic implementation: new social care system, better aligning to best practice in Children and Adults social care, supporting Manchester's integration strategy (e.g. system integrated with Health systems). System scheduled to be live in May 2019)
- Manchester Care Record: technology capability delivered, aggregating data from a number of H&SC systems in a single platform, providing the potential for H&SC teams (inc. ASC) to make more informed decisions.
- MLCO INT Hubs: enabling the coming together of MDT teams through a common technology solution (tactical solution deployed, subject to further improvements). 50% of the hubs are now live, with the remaining hubs forecast to be live by June 2019.

- DTOC IT Project: Developing MFT Acute systems to expose data to ASC staff, supporting the safe transfer of patients into the community..
- MHCC integration: some technology related change has taken place supporting the integration of CCG and MCC commissioning services, with further work planned.

9.3 From a technology and systems perspective, the focus for Adult Social Care (inc. MLCO & MHCC) in 2019/20 is as follows:

- Implementation of Liquidlogic.
- Manchester Care Record: while the technology capability was delivered in 2018/19, the focus of 2019/20 will be to deploy to the user-base (including ASC and the wider-MLCO and partner organisations such as NWAS).
- Manchester Care Record - Citizen/Patient Portal: further explore use of citizens accessing this data.
- MLCO INT Hubs: deploy IT solution to remaining hubs.
- MLCO (including ASC) new models of care, such as: Homecare, Assistive Technology, Control Centre/Front Door, Manchester Community Response, Konnektis ("electronic yellow file") - ICT to work with operational and transformational colleagues to support business case development and deliver projects where approved (with consideration to the wider ICT portfolio taking into account organisation priorities).
- Govroam (WiFi): deployment of Govroam WiFi to MCC infrastructure/services - enabling MCC staff to work from other Govroam locations, and those organisations to work from MCC sites.
- Utilise technological collaboration solutions, such as video conferencing, to work in smart and efficient ways, supporting both operational requirements and cost avoidance.

9.4 Any initiatives requiring ICT support will need to be considered against the broader ICT portfolio, recognising the finite funding and resources available. The ICT Strategic Business Partner will support and advise the service in this regard.

9.5 ICT will work the team in order to identify solutions that comply with the information and ICT design principles and to develop robust business cases to support their development.

Appendix 1 - Delivery Plans
1. Revenue Financial Plan

Subjective Heading	2018-2019 Budget £'000	2019-2020 Indicative Budget £'000
Expenditure:		
Employees	47,298	47,298
Running Expenses	184,875	193,225
Capital Financing Costs	171	171
Contribution to reserves		
Total Subjective Expenditure	**232,344**	**244,694**
Less:		
Other Internal sales	0	0
Gross Expenditure	**232,344**	**244,694**
Income:		
Government Grants	(5,158)	(5,158)
Contributions from Reserves	0	0
Other Grants Reimbursements and Contributions	(22,304)	(22,304)
Customer and Client Receipts	(18,959)	(18,959)
Other Income	(11)	(11)
Total Net Budget	**185,913**	**198,263**

2. Performance Plan

The measures and targets for 2019/20 will be updated and agreed during the first quarter of 2019/20 by the management team and will reflect the priority issues to be addressed by the adult social care improvement plan.

Our Plan Priority	Objective	Indicator	2017/18 result	2018/19 target	2019/20 target
HEALTHY, CARED-FOR PEOPLE	*Support Mancunians to be healthy, well and safe*	Maintain or reduce permanent admissions of older people (aged 65 and over to residential and nursing homes per 100,000 population)	829.9	Maintain or reduce	
		Reduction in LOS for NEL admissions for targeted cohorts	5.56	Reductio n	
		Reduction in A&E attendances for individuals within the target cohorts	117,517	Reductio n	
		Average Daily DTOC per 100,000 of the 18+ population	15.2	11.1	
		Increase in % of older people (aged 65 & over) who were still at home 91 days after discharge from hospital into reablement/rehabilitation services	73.8%	Increase	
		% people leaving Reablement with no ongoing care commitments	49.3%	54%	
		Weekly Homecare hours	24,777	Decrease	

		Experience for information and advice (very or fairly easy to find) in ASC Annual Survey	69.2%	Increase	
		Proportion of carers who report that they have been included or consulted in the discussions about the person they care for (always, usually or sometimes felt involved)	61.4% (2016/17 bi-annual Survey)	Increase	
		Percentage of ASC Direct Provision with outstanding or good CQC rating	72.3%	81.8%	
	Improve health and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally, delivering new models of care	Number of people receiving Reablement	1722	2760	
		Reduction of the Waiting list (LD,	New metric	Decrease	

3. Equality Overview and Action Plan

How does Adult Social Care activity and priorities for the year ahead support the promotion of equality and diversity in the City in alignment to the 3 equality objectives?

The service's priorities support the EFLG and its activities will continue to reduce inequalities through effective partnership working in particular those with health, independent providers, other local authorities and the voluntary and community sector. Adults Services deliver their core business in line with the Council's strategic equality objectives in particular Improving Life Chances;

1. Knowing Manchester Better

- Continue to embed assessment approaches that focus on strength based and asset based approaches to customer and carer assessments whilst monitoring the protected characteristics that people identify with
- Develop the skills of the workforce to be able to understand and respond to the aspirations and motivations of customers with protected characteristics
- For commissioning, continue to use the JSNA process to understand communities of Manchester as it relates to the health and care needs of the population
- Through our integration with health work, seek to better understand local neighbourhoods and communities drawing on equalities information from other sources e.g. health profiles

2. Improving Life Chances

- Work in partnership with MHCC and MLCO to implement the Locality Plan ; ensure that the commissioning approach is informed by the equality data available from sources such as the JSNA
- Continue to reduce inequalities in Manchester residents' outcomes through developing new models of care with Health and tackling the wider determinants of health through effective partnership working arrangements, in particular those with health, schools, independent providers, other local authorities and the voluntary and community sector
- Neighbourhood teams being put in place as MLCO becomes operational will ensure integrated services, better understanding and responding to the needs of people in those areas (including a consideration of protection characteristics), resulting in improved outcomes.

3. Celebrating our Diversity

- In line with the Our Manchester Strategy, lead the promotion of a different relationship between public services, residents, communities and businesses, making sure that all are more involved in services

- Scale up activities on the All-Age Disability Strategy, Mental Health and Older People's Strategy working with key local organisations and individuals to reform services, remove barriers and end discrimination

4. Where will the service's proposed changes and activities over this business planning period have an impact on equalities in general or specific protected characteristics in particular?

There will be a number of activities taking place over this business plan period that have an impact on equalities:

- The integration with health delivered through the MLCO and MHCC will benefit the whole population through improved joint working, a seamless experience and reduction in duplication.
- Co-production with local groups, patients, staff and service users is planned and further engagement with groups across the City as MHCC and MLCO are rolled out. This includes the new shift, incorporating Public Health priorities, towards self help/self care as communities – including those with protected characteristics – are supported to avoid unnecessary unplanned admissions to hospital and residential and nursing homes and to speed up safe transfer of people from these settings home.
- Development of new models of care for specific client groups (e.g those with mental health issues, complex needs, the elderly).
- EIAs have already been completed for those new models of care that will implemented over the coming months, with the documents forming a key element of the business cases. All partners involved in deliver the Locality Plan are well aware of the need to undertake EIAs on service changes resulting from transformation. The service is committed to delivering EIAs for other new care models which will be developed over this business plan period.

4. Workforce Plan

A summary of the key drivers for workforce change and strategic workforce objectives within Adults for 2019/20 are as follows:

- The integration of Health and Social Care through the Implementation of the Locality Plan for the organisation which includes:
  - The further development of the Strategic Commissioning Function through Phase 2 of the reform that will enable whole systems influence and leadership for a healthier Manchester
  - The further development and implementation of the Manchester Local Care Organisation integrated Neighbourhood Teams and Core structures to deliver new models of integrated Community Services across the City to support independence and choice.
- The provision of high quality, efficient services, through New models of care (e.g. reablement expansion, assistive technology, extra care housing, Our Manchester homecare, development of new approaches to residential and nursing care).
- Adult social care improvement work to put the right foundations in place through work to embed streamlined process, effective practice, and an enabled workforce with the right resources in place to manage demand.
- Skills development for all staff to reflect systems transformation including the development of. career pathways that model reformed roles.
- Continuing to improve the delivery of business as usual – our statutory duties under the Care Act (individual well-being, prevention, integration, information advice and advocacy, care markets, safeguarding, assessment, charging, care planning and personal budgets.
- The need to develop leaders and managers to have the right skills and attributes to operate the basics of good management practice so the foundations on which to build strong motivated teams for the future are laid.

All of the drivers for workforce change will support the Directorate to radically transform public services so that they are focused around people and communities - delivered through integrated community health and social care support and services.

The last 12 months has supported the foundations for integrated delivery through the establishment of Manchester Health and Care Commissioning, the creation of a single hospital trust, and the commencement of the Manchester Local Care Organisation partnership - however there is still a long way to go to fully establish service reform and to realise the benefits of new models of working.

In terms of workforce implications, our staff are our most important asset, how they think and feel about their work, how we engage with them and how we value them is extremely important to harness the commitment and support to take us further forward into integrated ways of working. Developing and supporting staff to embed the 'Our Manchester' principles and behaviours will be fundamental to achieving our objectives. We will continue to nurture an environment where they want to be part of developing and improving the future of the citizens of Manchester. Our responses and action plans to address key themes that arise from the Be Heard Survey, will also ensure that our staff feel listened to and their opinions are valued.

We will further review how we communicate and engage with our staff directly through a new communication strategy that will incorporate dedicated communication events and the development of new technologies that helps us keep in touch and connected with our workforce on the frontline. Our engagement and action strategy will be monitored through our senior management team and provide a robust framework from which we will incorporate feedback from surveys, develop actions and monitor our performance to achieve the key changes.

Through our workforce and organisational development plans we will support the growth of our leaders and managers and continue to build capacity and create a positive culture to improve performance management. This will be supported both through the Manchester City Council Leadership and Management programme and the specific development programmes and activity developed within MHCC and MLCO to support partnership and integrated working. There will be a strong focus on management induction and understanding the basics of practical management including relevant policies and procedures (with a particular focus for those managing within integrated teams). This will also be supported via the frameworks already in place i.e. absence management clinics and management information to inform this, to enable managers to operate effectively.

We will continue to be an active partner in the Locality Transformation Workforce Group and Locality OD Group that has been developed with our Health partners to ensure that our joint plans reflect and incorporate new ways of working and the generic and specialist skills and behaviours required to deliver the integrated models of the future. We will draw on specialist knowledge and expertise to test new evidence-based models of change and will build capacity within our collective workforce to implement such models for the future.

Key aspects of the workforce change programme will include:

- Values and Behaviours to underpin new ways of working and organisational arrangements
- Strengths Based Working Programme

- Leadership Development, Management of Change (inc MCC development programmes and specific activity for MHCC and MLCO deployed staff e.g NESTA 100 day Challenge to support innovation within integrated work settings)
- Robust engagement and involvement of staff in shaping new ways of working
- Resilience
- Organisational form and function (inc career pathways)
- Knowledge, Behaviours and Skills to deliver new models and ways of working
- Enhanced approaches to communication and consultation

The shift to strengths/asset based ways of working has already begun and asset based training has been rolled out to the majority of the workforce in Adult Services. The next phase of this work sees the development of a system-wide programme for all staff across all parts of the Manchester system, building on the existing Our Manchester experience and expanding its remit so that it is more reflective of partnership working and that there is a stronger focus on winning hearts and minds and enabling staff to develop practical tools and techniques to apply the approach in their workplace.

The mandatory and statutory training programmes will be refreshed and updated to reflect the wider scope of skills that will be required for the future. Wherever possible these will be will be undertaken in conjunction with our partners in Health so that there is a cohesive learning process to support the change in culture (and to support consistency of approach and efficiency in delivery).

The further development of Manchester Health & Care Commissioning (Phase 2 structural change) and Manchester Local Care Organisation (Phase 1 /2 structural change will have a huge impact upon the way our staff work in the future. New organisational forms, new ways of working to work in a strengths-based way, to work together in a truly integrated way and to deliver new models is being supported by the significant investment in behavioural and organisational development programmes. MLCO is focusing on supporting the development of Integrated Neighbourhood Teams and collaborative system wide working across the 12 neighbourhoods in Manchester.

Equality impact assessments will be carried out as the various Phases of change are undertaken to fully understand the impact of changes on different staff cohorts and action taken to address any specific issues arising.

5. Strategic Risk Assessment and Register

ID	Theme	Risk Description	Risk Owner	Existing Key Controls and Sources of Assurance	Risk Score (current) impact x likelihood	Areas for Key Actions and Deadlines
1	Systems and processes, statutory and compliance	Need for effective triage at the front door to ensure inappropriate demand into the service and use of resources is managed.	Director of Adult Services	Advice and Information Strategy, Help and Support Manchester, some signposting to VCSE from Contact Centre	12	Improvement Plan includes embedding some ASC resource into front door to more effectively triage
2	Systems and processes, statutory and compliance, safeguarding	Need to assess and review citizens in a timely, proportionate and consistent and manner to avoid increased risk of safeguarding, unmet need and inappropriate care packages.	Assistant Directors - ASC	Duty system in place daily across locality teams to manage risk to individuals and prioritise cases and interventions Carers' personal budgets under the Care Act has been set up as a partial devolved approach, alongside carers online self-assessment	20	Immediate work to reduce waiting lists is underway as part of Improvement Plan, Work also underway to streamline the assessment/ review process Work also underway to ensure use of management information is embedded in the service and supports decision making
3	Safe-guarding	Need to provide the necessary oversight to support citizens with	Assistant Director - ASC	Complex Case Forum established	20	Internal support to review QA framework

		complex needs in making safe decisions to avoid increased safeguarding risks		High Risk Protocol in place and utilised MSAB High Risk Protocol in place which is multi agency		Vulnerable Adults Protocol in development
4	Safe-guarding	Need to screen and assess for Deprivation of Liberty Safeguards (DoLS) in a timely manner to avoid citizens unlawfully being deprived of liberty	Assistant Director - ASC	Best Interest Assessor rota in place Authorisation rota in place for senior managers Small team in place	20	Greater internal capacity for DoLS included in Improvement Plan
5	Systems and processes, statutory and compliance	Need to effectively manage the transition of citizens from children's to adult services to ensure appropriate safeguarding and to meet need	Assistant Director - ASC	Transition team and partnership working in place Cross training and support from GMMH	16	Transitions included in Improvement Plan. Transition Board to be established to provide effective governance
6	Statutory and compliance	Integrated arrangements with Greater Manchester Mental Health Trust must effectively deliver statutory duties for citizens with mental health needs	Assistant Director - ASC	S75 agreement is in place which is regularly monitored and performance information is shared with the council and discussed. Developing and positive working relationships are in place.	6	Strengthening clarity on accountability and referral pathways
7	Systems and processes	Implementation of the new case management system must deliver a safe, effective service during and after this period to	Paul Covell, Tracy Cullen	Work to plan for the cutover period specifically has commenced across ASC, ICT and risk.	20	Bespoke plan to mitigate the impact of the cutover period

		ensure business continuity and avoid any safeguarding risks		Micare will have read only access during the cutober Existing business continuity plans provide a foundation to work from		
8	Systems and processes	The benefits of Liquid Logic are not maximised due to lack of strategic decision making relating to the design of business process managed within the case management system	Tracy Cullen, Paul Covell	Work to take key decisions relating to Liquid Logic overseen by LiquidLogic Programme Board	16	Further opportunities for streamlining process through Phase 2 of the programme
9	Safe-guarding	Quality and stability issues in the care and support market lead to safeguarding risks and risk of dependence of supply	MHCC, Assistant Directors ASC	MHCC have established a Performance, Quality and Improvement Team Residential and Nursing Improvement Group established to develop ToR, escalation policy and procedures to manage provider concerns and failure (quality, safeguarding)	12	Citywide Care Homes Team capacity included as part of Improvement Plan Implementation of LiquidLogic will assist with improved data collection and reporting Further work to be identified on a more joined up approach
10	Workforce	Need for a effective career pathway leads to attract and retain a good quality workforce to deliver statutory services	HROD, Assistant Directors ASC	Social Work Apprenticeship & Health and Social Care Management Degree available	12	Refinement of career pathway captured in Improvement Plan

				Starting salary for newly-qualified SWs is attractive so no difficulties recruiting entry level SWs ASC career pathway in place but needs refinement		
11	Workforce	Lack of leadership capacity leads to inability to discharge key statutory duties including for civil contingencies and humanitarian response	Director Adult Services	3 new Assistant Director posts created Work with GM underway specifically on civil contingencies	8	Work on appropriate senior structure included as part of Improvement Plan
12	Trans-formation	Significant delays in implementation of new care models and integrated neighbourhood teams Integrated working through MLCO does not have the expected impact to reduce demand	Director of Adult Services	Plan agreed in the autumn to accelerate the implementation of the new care models Methodology agreed with MLCO to evaluate the impact new care models	20	MHCC tracking of progress and reporting through the Financial Sustainability Plan to MHCC Executive
13	Systems and processes, statutory and compliance	Mobilisation of new home care contract not implemented as per mobilisation plan and/or home care providers terminate services earlier than planned schedule,	Assistant Director ASC	Mobilisation project group in place and adult social care operational mobilisation team to be recruited	16	Development and implementation of mobilisation plan

		creating safeguarding and other statutory risks to citizens in receipt of homecare services				
14	Statutory and compliance	Failure to comply with relevant legislation leads to a data breach and potential risk to citizens	Director of Adult Services, Assistant Directors ASC	Business as usual systems and processes in place to minimise potential for a data breach	12	Bespoke plan to be developed and implemented through improvement aiming to mitigate the impact of the cutover period
15	Partnership	Partnership governance arrangements necessary to deliver key components of Health and Social Care integration deteriorate over time; this affects ability to deliver major workstreams and deliver the anticipated benefits.	Director of Adult Services, City Treasurer, Head of Reform and Innovation	Partnership governance in place for shared decision-making includes key MCC representatives MLCO Partnership Board and Partnering Agreement MHCC Board Internal governance within MLCO and MHCC, reporting up to an Executive for each Key decisions need to come to MCC (SMT, Exec Members) for assurance	16	Review of governance arrangements needed covering MLCO, MHCC and MCC, in order to reduce risk highlighted
17	Finance	Long term funding uncertainty for Adult Social Care	City Treasurer, Head of Finance	Phasing of existing non-recurrent funding over a 2-3 year period to enable permanent commitments and	25	Financial planning for 2020-2025 Continued implementation of the Locality Plan

				longer lead in time should funding end from 2020/21 Ongoing integration and transformation of health and social care in spite of lack of progress with reforms at a national level			

Appendix 2 - Capital Strategy / Programme table

Project Name	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Adult Social Care Programme					
Capitalisation of Community Equipment	368	386	405	425	1,584
Phase 1 Implementation - Locality Plan Programme Office	874	0	0	0	874
Integrated Working - Gorton Health Hub	1,400	10,150	8,627	2,619	22,796
Total Adult Social Care Programme	**2,642**	**10,536**	**9,032**	**3,044**	**25,254**

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Appendix 3

2019/20 Adult Social Care Business Plan
Health and social care transformation savings schemes update

Introduction

This is to provide a summary of the progress with savings from new care models and other schemes for Adult Social Care which were approved as part of the 2018-20 budget in February 2018. The schemes remain as planned but the delivery of benefits and cost of models have changed to reflect phasing and mobilisation. The net approved savings were £8.519m for 2018/19 rising by £18k to £8.537m for 2019/20. This was made up of gross savings of £14.620m and costs of £6.083m, a net of £8.537m.

A re-assessment of potential savings from new care models and other schemes has taken place during November 2018. This estimated that gross savings of £3.518m are expected to be achieved in 2018/19 and £7.759m is projected for 2019/20, a total of £11.277m. This is a reduction in gross savings of £3.343m from the plan previously approved.

Following the re-assessment the costs of the new care models is expected to reduce to £1.825m in 2019/20, this in part funds the shortfall in gross savings (£3.343m), leaving a gap of £1.568m. It is proposed this gap is met by deployment of unspent ASC grant for 2018/19 which has arisen as a result of the new care models slipping.

In addition budget proposals for the City Council at January Executive included a further savings requirement for directorates which included an additional £200k from Adult Social Care. This would mean increased planned savings to £8.737m for the 2018-20 period. It is proposed that the additional savings are identified from the Learning Disability budget from an expansion of the existing Shared Lives programme (£150k) and further new care model investment (£50k).

In total this leads to revised gross savings of £7.909m and revised net savings (after implementation costs for new care models) of £6.064m. The projected ongoing costs and savings from new models of care and other schemes will need to be re-assessed as part of the financial planning for 2020/21 onwards.

Savings schemes and care models

Whilst the savings new care models and schemes will deliver the changes to enable the savings, the actual gross savings of £7.909m for 2019/20 will come from the following budget areas:

- Homecare - £4.7m savings from a reduction of 5,930 (22%) hours
- Residential and Nursing - £1.084m savings from a reduction of 49 (5%) care packages
- Learning Disability savings of £0.650m
- Mental Health savings of £0.775m
- Commissioning savings of £0.5m
- Reductions inappropriate cash individual budget spend following the introduction of pre-payment cards - £200k

Details of the care models and schemes are below and summary of the savings set out in the savings schedule to follow:

Assistive Technology Scheme – To provide support to elderly people and those with long term health conditions, MLCO is leading the implementation of a medicines support pathway including an automated medication dispenser and Comprehensive 'Front Door' Assistive Technology offer. MLCO has estimated that working with 100 existing people in receipt of Homecare and reducing or avoiding new Homecare packages for 645 people could deliver gross savings of £1.162m from Homecare in 2019/20. There is an estimated cost of £469k which will be met from the Better Care Fund integration reserve. Both elements of Assistive Technology are in the very early stages of development and the potential impact will be reassessed following full mobilisation to inform the financial plan for 2020/21 onwards.

Extracare – Schemes during 2018/19 involved the introduction of Village 135 scheme and the provision of 20 new Neighbourhood Apartments within Extra Care or Retirement Housing to allow older people to benefit from a short stay at a time when their needs are changing and their full potential or recovery level is unclear. The current forecast is that £1.523m of savings will be delivered in 2018/19 from reductions in Residential and Nursing packages. Due to delays in further schemes starting as a result of previous uncertainties over government funding, most of the savings for 2019/20 are expected to be delayed to 2020/21. Funding of £954k will be required for existing schemes during 2019/20, £734k of which will be met from gross savings in other schemes and £220k from the Greater Manchester Transformation Fund.

High Impact Primary Care - This work programme provides primary care-led, proactive, intensive person-centred support for the 2% of people living with the most complex medical and social needs and those who are the most frequent users of acute care services. For 2019/20 gross savings of £153k have been estimated from a reduction in Homecare.

Reablement – MLCO is leading the expansion of the existing core Reablement service which provides up to 6 weeks of reablement support to people to stabilise their situation and an enable them to return home safely. Following recruitment and training of up to 60 new Reablement workers, MLCO is planning to increase capacity by 1,063 people (35%) to a total of 2,963. Complex re-ablement is a new complex pathway service model to support people to remain in the community for as long as is feasible. MLCO is planning to work with 50 people per year on this new pathway. For 2019/20 gross savings of £3.218m, in addition to £0.5m savings estimated for 2018/19. Costs of £2.693m are estimated to be met £1.111m from gross savings in year and £1.582m from non-recurrent Adult Social Care grant.

Prevention programme has three elements - Community Links for Health, Health Development Coordinators and Community Capacity Fund. The current assessment of the business case and revised cost benefit analysis has concluded that no benefits will fall to residential and nursing budgets in the short term and savings for 2019/20 have been removed.

Contract Review - There is a savings target for ASC of £500k in 2018/19 this involves a review of contracts related to commissioned services. The aim was to achieve £500k of savings by identifying a number of contract related efficiencies. The current forecast is that none of these savings will be delivered in 2018/19 and are delayed until 2019/20.

High Cost Placements - Savings of £950k for 2018/19 and further savings of £500k for 2019/20, following savings of £1.2m achieved in 2017/18. A full analysis has been undertaken of the 1,099 people with Learning Disabilities, which includes reviewing the type of provision that they are receiving. These savings are on track to be delivered.

Public Health - £545k of savings achieved has been identified against activity contracts as planned. However, there is a budget shortfall in 2018/19 of £125k relating to the cost of the Health Visiting contract that transferred into the MHCC Pooled budget last year from Children's Services. It is proposed that a budget allocation is made from the inflation allocation within the pooled budget for 2019/20.

Recommissioning of low value packages - There is a savings target for ASC of £250k in 2018/19 and further £250k in 2019/20. This work programme intended to review the individual adult social care support packages of individual who have a support package value less than £100. A sample review of 60 individuals which identified that there was very limited scope for any potential cost savings as most people were actually receiving statutory support. As a result the work programme is no longer being pursued as a separate saving and where it is identified that savings may be deliverable from low value packages of care the process of reviewing these packages of care will now take place as part of the new Strengths Based Assessment work programme (below).

Strengths based support planning - The 2018-20 budget included a savings target of £775k in 2018/19 from a review of the Resource Allocation System particularly with use around Learning Disability packages of care. The intention was to move towards a strengths based approach as a model for reform and identifying opportunities for applying the approach in the short, medium and long term. The proposed approach is based on a ‘creative, whole life care and support journey’ with individually designed outcomes based on ‘personalisation’, a Resource Allocation Approach (RAA) that links to need and complexity and development of a community asset approach. This project is being developed with a focus in two areas:

- A strengths based review of Mental Health adult social care individuals is being developed by Greater Manchester Mental Health. This is expected to provide reductions in the overall cost of packages of care
- A workforce development exercise which involves training all social care staff in the strengths based assessment approach which encourages a more holistic way to reviewing individuals. This part of the work programme may also involve reviewing the current RAS process to reflect the strengths based approach.

Homecare - Savings of £750k are estimated for 2019/20 based on financial models that supported the approved proposal. Bids are currently being reviewed by MCC Corporate Procurement and MHCC is determining the mobilisation plan to ensure that reviews are up to date and to ensure a smooth hand over of services between existing providers and new providers from April 201

Appendix 3 Adult Social Care Savings 2018-20 Page 1 of 2	RAG Rating	Approved Budget 2018-20 Cumulative Savings £'000	Achieved Savings 2018-19 £'000	Proposed Savings 2019-20 £'000	Total Revised Savings 2018-20 £'000	Change £'000	
New Care Models Gross Savings							
Extra Care	Green	**-2,254**	-1,523	0	**-1,523**	731	
Assistive Technology	Red	**-2,399**	0	-1,162	**-1,162**	1,237	
Reablement Core / Complex	Red	**-3,374**	-500	-3,218	**-3,718**	-344	
High Impact Primary Care	Red	**-504**	0	-153	**-153**	351	
Prevention	Red	**-1,369**	0	0	**0**	1,369	
Gross NCM savings		**-9,900**	**-2,023**	**-4,534**	**-6,557**	**3,343**	*
New Care Models Investment							
Extra Care		**1,605**		734	**734**	-871	
Assistive Technology		**1,079**			**0**	-1,079	
Reablement		**2,531**		1,111	**1,111**	-1,420	
Carers		**23**		0	**0**	-23	
Total Investment		**5,238**	**0**	**1,845**	**1,845**	**-3,393**	#
Sub-total New Care Models - Net Savings		**-4,662**	**-2,023**	**-2,689**	**-4,712**	**-50**	

Appendix 3 Adult Social Care Savings 2018-20 Page 2 of 2	RAG Rating	Approved Budget 2018-20 Cumulative Savings £'000	Achieved Savings 2018-19 £'000	Proposed Savings 2019-20 £'000	Total Revised Savings 2018-20 £'000	Change £'000	
Other ASC Savings							
Public Health	**Green**	**-545**	-545	0	**-545**	0	
High Cost Placements (Learning Disability)	**Amber**	**-1,450**	-950	-500	**-1,450**	0	
Strengths Based Support Planning - Mental Health	**Red**	**-775**		-775	**-775**	0	
Homecare: Implement outcomes based commissioning	**Amber**	**-750**		-750	**-750**	0	
Re-commissioning of low value packages	**Red**	**-500**		0	**0**	500	
Contract Review	**Red**	**-500**		-500	**-500**	0	
Prepaid Cards for Cash Individual Budgets	**Amber**	**-200**		-200	**-200**	0	
Strengths Based Support Planning - All ASC Packages	**Red**			-500	**-500**	-500	
Shared Lives (net of £150k investment)	**Red**			-150	**-150**	-150	
Sub-total		**-4,720**	**-1,495**	**-3,375**	**-4,870**	**-150**	#
Reversal of non-recurrent savings in 2017/18							
Minor Schemes		**595**	595	0	**595**	0	
Adult Social Care Grant - non-recurrent		**250**	250	0	**250**	0	
Sub-total		**845**	**845**	**0**	**845**	**0**	
Total Gross Savings		**-14,620**	**-3,518**	**-7,909**	**-11,427**	**3,193**	
Total Costs		**6,083**	**845**	**1,845**	**2,690**	**-3,393**	
Total Net Savings		**-8,537**	**-2,673**	**-6,064**	**-8,737**	**-200**	

*Reduction in gross savings - pressure of £3.343m

Recovery proposals totalling £3.543m which includes further savings of £200k

Manchester City Council
Report for Resolution

Report to: Neighbourhoods and Environment Committee - 6 February 2019
Executive - 13 February 2019

Subject: Homelessness Business Planning 2019/20

Report of: The Director of Adult Services and Strategic Director, Development

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Summary

This report sets out the Directorate's key priorities, activities, revenue and capital strategy for 2019-20. In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report is a refresh of the Directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities and will set out progress to date and the response to increasing demand for homelessness services.

The draft business plan which was considered by the committee in December 2018 has been further developed to take into account their comments and the outcome of the local government finance settlement. Sections on the impact of proposed changes on residents, communities, customers and the workforce have been added in addition to a summary of the technological support to deliver change. A full suite of delivery plans can also be found as an appendix including the Finance, Performance, Workforce and Equality Plans and the Risk Register.

Taken together, the Directorate business plans show how the directorates will work together and with partners to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Executive is invited to review and comment on this revised Directorate Business Plan.

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 become 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 CO_2 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	n/a

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 2019/20 to be reported to the Executive for approval in February 2019.

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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.

Adult Social Care Directorate Budget and Business Plan 2018 - 2020 - Homelessness Part 2 - Executive - 7th February 2018

Update on the work to tackle homelessness and rough sleeping and the Manchester Homeless Strategy - Neighbourhoods and the Environment Scrutiny Committee – Wednesday 5th September 2018

1. The Homeless Business Plan

1.1 The Homeless Business Plan is set out from paragraph two below and includes:

- A description of the contribution that the homeless service makes to delivery of our Corporate Plan priorities
- The directorate's vision and objectives
- A self-assessment of the directorate's key challenges for 2019/20
- The revenue strategy
- The capital strategy/programme
- Impact on Residents Communities and Customers
- Impact on the Workforce
- Technological Support
- An appendix containing the directorate's delivery plans (Finance Plan, Performance Plan, Workforce Plan, Equality Plan, and the Strategic Risk Assessment and Register)

2. Delivering Our Plan

2.1 The Homeless Service primarily aligns with the Corporate Plan theme of **Healthy, Cared-for People**. The objective for the service is to reduce the number of people becoming homeless and enable better outcomes for those people who are homeless. This is reflected in the three key aims of the new Homeless Strategy for the city.

2.2 The Service also contributes more widely to other themes in the Corporate Plan:

- The Service will support **young people** experiencing or at risk of homelessness to have the best possible start in life and reduce the number of children needing a statutory service through early intervention
- The Service will establish a Private Rented Sector (PRS) team referring people to **housing** in a more timely way and to ensure it is of good quality
- The Service will work with families and individuals to ensure they are supported to be good neighbours and tenants to maintain clean and vibrant **neighbourhoods** that Mancunians can be proud of
- The Service will work closely with partners to help people who are homeless into volunteering and subsequently employment therefore contributing to sustained economic growth that benefits everyone

2.3 The Homeless Service will achieve these objectives by embracing the Our People strategy and Our Manchester behaviours. The Homeless Service knows that people are more important than processes, procedures or organisational boundaries. The Manchester Homelessness Partnership, consisting of people with personal insight into homelessness, and organisations working to reduce homelessness, have led the development of the Manchester Homelessness Charter and Homeless Strategy. The Our Manchester approach has been taken to significantly change ways of working and what is delivered. People with insight into homelessness have actively shaped the agenda as we are committed to building long term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.

2.4 For our workforce, we will ensure our workforce can be the best they can be, through training, development and ensuring a work / life balance. Due to the pressure and demand in our service, balancing the budget and reducing demand through reform is essential.

3. Vision and Objectives

3.1 The vision for Homelessness within the city has been co-produced with the Manchester Homelessness Partnership, and is to end homelessness. The Manchester Homelessness Partnership calls on the citizens of Manchester, the city council, healthcare and other public services, charities, faith groups, businesses, institutions and other organisations to adopt the values of the Charter and to implement it through improved working practices and working together in new way.

3.2 However, while homelessness remains, the charter provides guiding principles concerning the rights of people who are homeless or at risk of homelessness. We believe that everyone who is homeless should have a right to:

- A safe, secure home along with an appropriate level of support to create a good quality of life
- Safety from violence, abuse, theft and discrimination, and the full protection of the law
- Respect and a good standard of service everywhere
- Equality of access to information and services
- Equality of opportunity to employment, training, volunteering, leisure and creative activities

3.3 We believe that those who work with homeless people have a collective responsibility to ensure that:

- Good communication, coordination and a consistent approach is delivered across all services
- People with personal insight into homelessness have a voice and involvement in determining the solutions to their own issues, to homelessness, and in wider society.

3.4 The Objectives that were agreed in 2017 in the three year business plan for the Council were:

- To continue with the focus on co-production with the Homelessness Partnership to ensure that we have listened to the views of people who have insight into homelessness and formulate policies, procedures and services with them at the heart of all we do.

- To continue to work in partnership to support people who are living on the street to ensure they have access to accommodation and appropriate support.
- To focus on early intervention and prevention to stop families and individuals from becoming homeless, preventing disruption to the lives of adults and children.
- To reduce the use of temporary accommodation for families by focusing on prevention.
- To improve access to settled homes for families and individuals who are in temporary accommodation.

3.5 These objectives have been further refined over the past year, due to the development of Our Corporate Plan and the city's Homelessness Strategy.

3.6 The Homeless Partnership co-produced the Homelessness Strategy for the City (2018-23). The vision for the Homeless Service mirrors the Homelessness Charter vision and the Strategy. The objectives listed above have been refined into 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

3.7 Each organisation within the partnership has developed their own response to the strategy and the partnership holds organisations accountable to each other. An outcomes framework is being developed to ensure the actions of the Partnership meet these three objectives.

4. Self Assessment

4.1 The Homeless Service has made some progress towards its objectives over the past 12 months, whilst recognising there are significant challenges in terms of increasing demand. Some of the key activities are mentioned below.

Progress towards the objectives and performance targets defined in the 2018-19 to 2019-20 Business Plan

4.2 There is a continuing and significant increase in numbers presenting as homeless and who are sleeping rough. The Council is working to respond to these challenges with partners and the steps that have been taken are summarised below.

4.3 To continue with the focus on co-production with the Homelessness Partnership

4.3.1 As stated above, the Homelessness Strategy for the city was co-produced with the Homelessness Partnership which includes people who have been previously homeless. Alongside this, all bids, reviews and new service models have been designed with the partnership. Of particular significance is that people who have been homeless are now working within the homelessness service.

4.4 To continue to work in partnership to support people who are living on the street to ensure they have access to accommodation and appropriate support.

4.4.1 Additional accommodation for people who sleep rough has been developed over the winter period to support the “A bed every night” initiative. Since the start of the scheme 326 individual people have been accommodated. Unfortunately, one of the schemes developed electrical faults and had to close, however we have found a temporary solution with the help of the Fire Service and are working with partners to identify additional buildings to accommodate the numbers presenting. We are grateful for the support of the voluntary and faith sector, volunteers and registered providers in helping to support so many individuals.

4.4.2 The rough sleeping initiative bid has prevented 83 individuals from sleeping rough and provided 295 housing related interventions. This is through the creation of a number of additional services including:

- Centrepoint providing a homelessness prevention service to young people rough sleeping or at risk of rough sleeping
- Increased resettlement workers in a number of voluntary sector agencies.
- The Council’s Outreach Team for people who sleep rough has recruited two additional Outreach Workers to work with people sleeping rough, with one focusing on reconnection
- Additional bed spaces

4.4.3 The Outreach Team for people who sleep rough has increased from 4 members of staff to 8 members of staff, a team leader and coordinator supported by new IT in place which helps with targeting of services.

4.4.4 Work with health has resulted in improved access to drug and alcohol services and increased funding into mental health outreach services. A shared Hospital Discharge Protocol has also been developed to ensure a planned approach to discharge from hospital for people who are rough sleepers or at risk of homelessness.

4.4.5 The Greater Manchester entrenched rough sleeper service (also known as the Social Impact Bond (SIB)) has commenced, with 234 people with complex and entrenched behaviour patterns referred into the service from Manchester. The Greater Manchester Housing First programme has been put out to tender; official contract award is the 6th February, with the service due to commence in spring 2019.

4.5 To focus on early intervention and prevention to stop families and individuals from becoming homeless, preventing disruption to the lives of adults and children and to reduce the use of temporary accommodation for families by focusing on prevention.

- Citizens Advice, Shelter and Cheetham Hill Advice Centre are providing additional support to prevent families and individuals from becoming homeless
- Four additional Housing Solutions Officers have been recruited. 25% of demand through the door is people who have received a Section 21 notice, and this additional resource will focus upon this cohort
- The Private Rented Sector team made 251 direct offers of accommodation between April - Nov 2018
- Use of Discretionary Housing Payments and welfare support related funds to support people.
- A volunteer programme commissioned through MIND specialist mental health charity is providing support for families and individuals at the front door.
- The Duty to Refer has now come into force. This is encouraging organisations to refer people who they think are at risk of becoming homeless into the service as early as possible. Work with Registered Providers (RPs) is also ongoing to prevent homelessness.

4.6 To improve access to settled homes for families and individuals who are in temporary accommodation:

- Officers are progressing the review and update of the social allocations policy. This is to ensure wherever possible improved access for homeless households who require it the most to social housing
- The buying of larger houses is progressing in order to accommodate those families who cannot be accommodated from existing social housing stock
- In addition the Longford Centre has accommodated 174 single people into their own PRS properties between Apr - Dec 2018
- The ALMO, and RPs, are working hard to increase the numbers of homeless people accommodated, and to continue to support them in their tenancies.

Challenges to achieving the identified objectives and performance targets

4.7 Despite investment into the above services there continues to be growing challenges to achieving the identified objectives. Demand continues to grow at an exceptional rate and there has been a significant increase in the numbers of households who are homeless in Manchester in recent years, including families, single people, young people, and people who are rough sleeping. This trend is reflected nationally and the roll-out of Universal Credit has made this even more challenging. Universal Credit will also impact upon emergency temporary accommodation, making this form of accommodation financially unviable for the owners. Furthermore, the Homelessness Reduction Act has placed new duties on the Council to prevent homelessness in all circumstances, has widened the application of the assistance and support that the Council is required to give, and has significantly increased the bureaucracy. The response to the Act will need to include investment in prevention services.

4.8 A driving factor of the increase in homelessness nationally has been attributed to welfare reform. The capping and freezing of Local Housing Allowance (LHA) has had a significant impact. This has been compounded by other welfare reforms such as the ‘bedroom tax’, the benefit cap, application of the shared room rate to single households under 35 years, and stricter sanction regimes. There has been an 89% increase in larger families presenting with 3 or more children from 117 in 2015/16 to 221 in 2017/18. It is possible this is as a direct result of welfare reform changes, such as the benefit cap. Of the families recorded as living in temporary accommodation, the largest proportion is single mothers (70% in 2017/18).

4.9 Alongside this, PRS rents have increased three times faster than wages nationally: homes in this tenure are increasingly unaffordable for families on low incomes, particularly to households in receipt of LHA. In Manchester our success in sustaining economic growth has led to supply failing to keep pace with demand and as a consequence, increases in average rents in the private sector. The loss of a private rented tenancy has recently become the prime reason for people being owed a statutory homelessness duty in Manchester. The National Audit Office reports a similar picture nationally.

4.10 There has, and will continue to be, a significant increase in demand. Figures for the first three quarters of 2018/19, since the Homelessness Reduction Act came into force, show that a total of 5,846 households presented as homeless, a 24% increase compared with the same period in the previous year. In the same period, 2,991 statutory homeless applications were taken, a 34% increase when compared with the same two quarters in the previous financial year.

4.11 Whilst demand into the service increases, the flow out of the service continues to reduce. The following table shows the number of social lettings to people who have previously lived in hostel or temporary accommodation. This hostel or temporary accommodation category includes all those applying from commissioned and step down accommodation as well as statutory homeless accommodation.

	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	2017/18 totals	Q1 2018/19	Q2 2018/19
Hostel/other temporary accommodation	157	150	143	166	**616**	160	113

4.12 This has led to the number of dispersed properties where families are placed on a temporary basis continuing to grow from 929 in August 2017 to 1,433 in December 2018.

<u>Challenges for the future when delivering the new objectives aligned to the corporate plan</u>

4.13 There are a number of external factors which inhibit our ability to effectively tackle homelessness and rough sleeping which are outlined below:

4.13.1 **Homelessness a rare occurrence**: increasing prevention and early intervention.

- The capping of Local Housing Allowance Rates and other welfare benefit reforms are leading to private sector rents being unaffordable and adding to greater pressure both through the front door, and being unable to discharge duty at the end of the process.
- The roll-out of Universal Credit across Manchester has resulted in an increase in rent arrears, and people struggling to maintain their accommodation. A situation that reflects the rollout of universal credit nationally.
- Austerity has meant a number of organisations that would have previously provided a safety net for families and individuals are no longer able to manage the demand.
- Changes in Homeless legislation has led to increased demand through the Council's front door and an increased need to accommodate people. Changes in legislation has also led to increased bureaucracy on staff time.
- The duty to refer has increased the numbers being referred to the Housing Solutions Service (199 referrals since it came into force on the 1st October). Whilst this is good for identifying people at an early opportunity, it is having an impact on staff time.

4.13.2 **Homelessness as brief as possible:** improving temporary and supported accommodation to be a positive experience.

- The DWP rules limit the Council's ability to fully fund temporary accommodation through housing benefit. This is resulting in significant resource that could be utilised for prevention, early intervention and support to people who are homeless or at risk of being homeless being redirected into funding the cost of accommodation.
- The future funding formula for the flexible homelessness support grant could be based upon the number of preventions we achieve by utilising the PRS. The difficulty of accessing the PRS in Manchester may have an impact on the future level of this grant.
- Increased demand and additional bureaucracy is resulting in high caseloads affecting staff recruitment and retention rates as well as resilience and wellbeing.
- Emergency Temporary Accommodation (commonly referred to as B&Bs) are being affected by Universal Credit. This could lead to them potentially closing in the future as their income is no longer sufficient.
- The funding for supported accommodation may be moved from housing benefit to grant funding, or included in Universal Credit. The decision for this has been delayed, but if it moves to Universal Credit this will have a

significant impact on the viability of supported housing schemes across the city.
- The condition of some of the properties used for dispersed temporary accommodation can degenerate quite rapidly. A more robust inspection, monitoring and compliance scheme for when people are living in accommodation for a longer period of time is in the process of being put in place.

4.13.3 **Experience of homelessness to be a one-off occurrence**: increasing access to settled homes.

- The buoyant housing market resulting in fewer people being able to access private sector accommodation.
- Families and individuals are unable to find their own solution due to the buoyant housing market.
- Lower turnover in social housing resulting in low numbers of homeless people accessing to social accommodation, creating a blockage in dispersed accommodation.
- There has been an 89% increase in larger families presenting with 3 or more children from 117 in 2015/16 to 221 in 2017/18, mainly due to the benefit cap. Sufficient properties of a larger size to deal with this demand are needed.
- Given the numbers of individuals currently within A Bed Every Night, as well as the high demand for hostels and supported accommodation, it is difficult to access permanent settled accommodation, with the appropriate support.

4.14 In the face of these challenges, the service is embracing change and is working with public, private and voluntary sector partners across the city to rise to the challenge. The service is also working closely with GMCA and our partner Local Authorities, as many solutions lie in us working collectively.

4.15 Embedding the Our Manchester Behaviours throughout the service is key to our delivery and the wellbeing of our staff. Working in a high pressured and constantly demanding service has an impact on staff wellbeing and introducing practice and support to develop their resilience is crucial. Staff redesigns have been put in place to prepare the service for the future and reduce caseloads; managers and staff are embracing Our Ways Of Working (OWOW). Training and development needs are being addressed, and all staff are attending the ‘Our Manchester’ training. The staff engagement survey results from 2018 revealed that all staff wanted to improve communication, and a staff newsletter has been introduced as well as regular service staff engagement events.

Responding to the challenges

4.16 The service is responding to the significant challenges by:

4.16.1 **Homelessness a rare occurrence**: increasing prevention and earlier intervention at a neighbourhood level.
- Co designing a prevention service with the Homelessness Partnership that will work further upstream, linking in with other organisations such as the

LCO and MHCC to identify people who may be at risk of homelessness at an earlier stage, helping them maintain their accommodation rather than end up homeless.
- Co-producing a joint commissioning strategy led by MHCC which will include health and MCC provision.
- Continuing to develop the Housing Solutions service to become more prevention focused, working closer with hospitals, the prison and probation services, and private landlords.
- Recommissioning the advice contract to work more intensively with people who are at risk of losing their home, in order to prevent them from becoming homeless.
- Developing a joint pathway and accommodation with Children's Services for young people to access in the city.

4.16.2 **Homelessness as brief as possible:** improving temporary and supported accommodation to be a positive experience.

- Over the past six months the Homeless Service has been working with Strategic Housing to progress a tender and procurement of the management of the dispersed temporary accommodation contract to move it to a registered provider. The service had acknowledged that it was not best placed to undertake the housing management of dispersed accommodation given the increased length of time households remain in the properties, alongside the growth in demand.
- Recruiting additional inspectors for a fixed term period whilst the procurement is progressing and developing an inspection and maintenance scheme. This will include better monitoring and challenge of providers who are providing services within the dispersed contract.
- Developing and progressing an action plan with regards to improving standards and support in dispersed accommodation.
- Progressing an action plan with regards to bed and breakfast accommodation. This will include working with the voluntary sector to provide activities for children within temporary emergency accommodation (B&B), linking with health visitors to ensure visits and checks are occurring if needed, and providing safeguarding training to the accommodation owners.
- Embedding the newly commissioned housing related support services; reviewing and recommissioning the Homeless Prevention Grant.
- Exploring potential properties to expand our temporary accommodation offer

4.16.3 **Experience of homelessness to be a one-off occurrence**: increasing access to settled homes.

- Continuing to develop services for A Bed Every Night, constantly evaluating and learning from the different approaches and accommodation we are using. Formally evaluating the service, and looking at how it can be developed.
- Increasing staffing and toolkit for accessing the private rented sector.
- Review of the Social Allocations Policy.

- Influencing the development of the GM Housing First model.
- Embedding the new Ways of Working with our new reconfigured teams.
- Ensure 20% of all new build properties are affordable. This will deliver 3400 new affordable homes in the next 6 years and a further 3000 affordable homes by 2029. On average around 20% of these are allocated to homeless people which would mean an extra 1280 homeless households rehoused.
- Purchasing around 60 large family houses, with a group of Registered Providers, to provide accommodation for the largest families.
- Developing a Private Rented Sector strategy with the aim of discharging duty into quality private rented accommodation.

5. Revenue Strategy

5.1 This section of the Business Plan sets out the updated revenue budget plans for Children's Services for 2019/20. This is based on the draft Budget Proposals approved by January Executive

5.2 The Homelessness Service has £24.5m gross budget and £9.2m net of external income and a workforce of 250 fte, this is summarised in table 1 below:

Table 1: 2018/19 Base budget

	2018/19		
Service Area	**Gross Budget £,000**	**Net Budget £,000**	**Budgeted Posts (FTE)**
Rough Sleepers/Outreach	777	359	9
Specialist Accommodation	721	249	15
Emergency Accommodation (B&B)	1,352	1,226	0
Temporary Accommodation	13,830	2,631	100
Homelessness Management	384	384	6
Homelessness Assessment	1,216	1,216	37
Homelessness Prevention	2,104	1,929	65
Tenancy Compliance	194	194	6
Housing Related Support Services	980	980	5
Asylum	2,911	57	7
Total	**24,469**	**9,225**	**250**

5.3 The gross budget includes £15m of external funding provided to the service which includes:

- Housing Benefit and Discretionary Housing Payment (DHP) funding from Revenues and Benefits of an estimated £9.9m for temporary accommodation.
- The Flexible Housing Support Grant (FHSG) of £1.3m in 2018/19 which rises to £2.1m in 2019/20.
- New burdens funding for the Homelessness Reduction Act of £0.509m over two years has been allocated by DCLG.

- Funding via GMCA of £0.745m over two years to tackle entrenched rough sleeping.
- Rough Sleeper Initiative Grant of £418k for 2018/19 and recently announced additional funding of £0.5m, conditional on success criteria from 2018/19.
- Cold Weather funding from the Ministry for Housing, Communities and Local Government (MHCLG) of £85k for cold weather winter provision for people who sleep rough.
- Asylum seeker grant funding from Home Office of £2.9m

5.4 The 2018/19 budget included an additional £2.1m for temporary dispersed accommodation following the loss of the Temporary Accommodation Management Fee grant, £250k for demographic growth, £895k from the City Centre work and a further £500k for the Longford Centre. During the first six months of 2018/19 there have been consistently more people approaching the Council for support which is impacting on the budget for temporary accommodation and emergency accommodation (B&B) provision and the caseloads for the Homelessness Support Service.

5.5 The number of dispersed properties where households are placed on a temporary basis also continues to increase. As stated earlier dispersed temporary accommodation placements have increased from 1,266 in February 2018 to 1,433 in December 2018. The Council incurs a shortfall of c£88 per week for each unit of temporary accommodation provided because Local Authorities are not able to access the funding from Department of Work and Pensions for the full cost of accommodation and are limited to 2011 housing benefit rates and excluding any support funding. The Council is developing arrangements with Registered Providers to transfer management of the contracts for Dispersed Accommodation which is covered in section 4.16.2 of the report.

5.6 The proposed Homelessness Business Plan for 2019/20 to Health Scrutiny in December 2018 included proposals for additional investment of £3.840m to address the following:

- The demand for dispersed accommodation continuing to rise at the current rate to 1,500 properties during 2019/20 - £1.3m
- Emergency accommodation numbers being stabilised at existing levels from work ongoing to meet need differently. The full year impact of current numbers would be an additional budget requirement of £1.740m
- Additional capacity for Homelessness support to reduce caseloads - £0.8m

5.7 The above is being funded from the allocation of £1.4m from the corporate inflation allocation. This includes £400k which is earmarked for Homelessness and inflation from the budget estimated for the Pooled Budget with health which has not been required for inflationary pressures. In addition there is a recovery proposal of £440k from a reduction in the current level of use of emergency accommodation (B&B) during 2019/20.

5.8 The further proposal to provide additional funding of £500k for enforcement activity to ensure decent quality accommodation across the City is being held in the Homelessness budget.

5.9 Table 2 below shows the proposed 2019/20 budget for Homelessness of £13.375m. This includes the £250k allocated as part of the 2018/19 budget setting process to help meet rising demand. It also includes the new proposals for investment of £3.840m as outlined in paragraph 5.6, and the £500k proposed for enforcement activity which together total **£4.340m**.

Table 2: 2019/20 proposed changes and revised budget

Service Area	Approved MTFP						
	2018/19 Net Budget	Approved savings	Investment and other changes	**2019/20 Net Budget**	2019/20 Identified pressures	2019/20 Recovery proposals	**Proposed 2019/20 Net Budget**
	£,000	£,000	£,000	**£,000**	£,000	£,000	**£,000**
Rough Sleepers / Outreach	359			**359**			**359**
Specialist Accommodation	249			**249**			**249**
Emergency Accommodation (B&B)	1,226		250	**1,476**	1,740	(440)	**2,776**
Temporary Accommodation	2,631			**2,631**	1,300		**3,931**
Homelessness Mgmt	384			**384**			**384**
Homelessness Assessment	1,216			**1,216**			**1,216**
Homelessness Prevention	1,929			**1,929**	1,300		**3,229**
Tenancy Compliance	194			**194**			**194**
Housing Related Support	980			**980**			**980**
Asylum	57			**57**			**57**
Total	**9,225**	**0**	**250**	**9,475**	**4,340**	**(440)**	**13,375**

6. Capital Strategy / Programme

6.1 Work has begun on a programme to purchase houses to accommodate homeless families. The current proposal is to invest up to £5m alongside Registered Providers to jointly purchase around 60 homes. The legal terms have been agreed with all six providers. Seven properties have been bought, and a number have been agreed for purchase. The first families have been identified and have moved in. Registered Providers are identifying additional 4-bed properties across the city to purchase.

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 three quality objectives for 2016-2020, and continue 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 (*'Knowing Manchester Better' - aim 1*) and developing strong links with statutory and voluntary sector partners (*'Knowing Manchester Better' - aim 2*). This includes working with partners to share knowledge and understand the impact of big changes within the city on different communities (*'Knowing Manchester Better - aim 4*). The service will work closely with partners to help people who are homeless into volunteering and subsequently employment (*'Improving Life Chances' - aim 3*). 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 (*'Celebrating Our Diversity' - aims 1 & 3*).

7.2 Work is ongoing to deliver against the five areas of the Equality Framework for Local Government (EFLG). Council-wide areas for improvement that were identified by LGA assessors, which include improving data use to better know our communities, and developing a diverse and inclusive workforce are being actively addressed as part of business planning.

7.3 Manchester's Family Poverty Strategy sets out an aim for everyone in the city to have the same opportunities, life chances and potential to lead safe, healthy, happy and fulfilled lives, no matter where they are born or live. The Homelessness Service will continue to support several key strands of the strategy, ensuring that families have access to quality, affordable accommodation and that they are supported with work and learning opportunities (*theme 1 - sustainable work as a route out of poverty*). Work also includes commissioning and delivering advice services to support families impacted by welfare reform (*priority 3 - mitigating the impact of welfare reform on families with children*), and delivering an early intervention approach in conjunction with statutory and voluntary sector partners to make homelessness a rare occurrence (*priority 8 - improving the identification and signposting of families in poverty*). Key to the success of this will be continuing our co-production with residents and communities impacted by homelessness (*priority 7 - strengths based approach in communities*).

8 Impact on the Workforce

8.1 A significant amount of organisational change took place in 2018/19 for the service, much of which continues to be embedded and will be reviewed over the next year. The implementation of the Homelessness Reduction Act (HRA), and increase in the demand for Homelessness Services, has lead to the entire service coming under severe pressure, to the point where demand outstripped the capacity and it was becoming increasingly difficult to deliver an efficient, safe and effective service.

8.2 In response to this, funding to the service has been increased, and there have been significant changes to organisational structures and operating models to better meet citizen need. This included a redesign of the Homelessness Assessment Service, into the Housing Solution Service. This increased the capacity of the service to 33 FTE and introduced a consistent grade of officer. It also allowed for the development of a targeted Housing Solutions offer for under 25 year old's in collaboration with Centrepoint. Additional New Burdens funding has enabled a further 4 Section 21 Housing Solutions prevention officer posts to be created (12 months time limited) and an increase in the capacity of the Private Rented Sector (PRS) team from 5 to 10 FTE PRS Officers.

8.3 As stated earlier Winter Resilience funding is being accessed to support the 3 Manchester Hospitals to fulfil their duties regarding identifying and referring for assessment where there is risk of homelessness. The proposal is for the posts to be made permanent and funded from the Winter Resilience grant funding for 2018/19 and 2019/20 over a three year period to 2020/21. In addition to this there is a requirement to increase the Private Rented Sector team to ensure that move on rates are increased and permanent solutions are identified. This team will be made up of an additional 8 FTE.

8.4 Through access to the Rough Sleeper Initiative fund from central government our Outreach Team for people who sleep rough has recently increased the workforce of the team by a further 2 FTE to boost capacity to support the increased numbers of people who are sleeping rough in the City.

8.5 The former Supported Housing Management Team (SHMT) was originally designed to deliver support to 112 households whereas numbers in temporary accommodation had reached over 1000 households. The redesigned and combined service with the previous Housing Connect team has created a service with more equitable caseloads. This redesign in June 2018 saw an increase in support worker roles of 10 FTE and the creation of a fourth Floating Support team. Additional New Burdens funding is currently enabling the development of a further Move-on Support Worker team (12 month time limited) to deliver targeted interventions with the cohort of people in dispersed temporary accommodation for whom social housing is not a route, and who will access the private rented sector. The development of this new approach builds on Our Manchester behaviours and will be a key development for the service in 2019. Furthermore, an additional 3 housing inspectors will be recruited for a 12 month period in order to inspect dispersed properties and work with landlords to ensure they are up to the standard specified within the contract.

8.6 The way in which dispersed Temporary Accommodation (TA) is funded via housing benefit changed in April 2017 when the Temporary Accommodation Management Fee (TAMF) ended; making the dispersed temporary accommodation scheme unaffordable for the Council to operate. It has been ascertained that an external provider, such as a Registered Provider, would need to manage the contract in order to claim 100% Housing Benefit income to cover the cost of providing temporary accommodation. As stated above, it is intended to deliver a procurement exercise in early 2019 to secure an external provider for this service. The Floating Support function to people in TA would remain in house, and officers are investigating TUPE implications for the housing management element of this service.

8.7 Key elements of improved and increased service delivery are currently reliant on time limited funding. The short term nature of funding streams creates difficulties in assuring the long term provision of response strategies and work programmes. In order to address this, the service will seek to reinvest funding in 'front door' services, to further develop upstream prevention initiatives and increase targeted move on delivery through the release of funds currently addressing the shortfall in income within dispersed temporary accommodation.

8.8 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.

8.9 Through the workforce development programme, staff will have access to comprehensive training programmes that relate to mental health, safeguarding, and other prevention and intervention skills, amongst other training.

8.10 To take the service forward in 2019/20, and in support of the homelessness strategy, a new post is required to direct the service and ensure an integrated response both across the Council and with partners. A proposal is being put forward to Personnel Committee to establish a new post that will lead on the delivery of the Council's Homelessness Strategy, direct the service through the current Head of Service and work in partnership with the Strategic Development directorate regarding housing solutions. The post has been evaluated at SS4 and, subject to approval by Council, will be established as the Director of Homelessness and a direct report to the Executive Director of Commissioning and DASS. The role is currently being filled on a part time interim basis at SS5 whilst the requirements for the role were scoped.

9. <u>Technological Support</u>

9.1 The importance of technology, systems and data should not be underestimated if the City Council is to achieve the aspirations of growth, reform and health and social care integration from both a Council and GM perspective. Additional ICT investment has been agreed as part of the three year budget strategy and a five year capital plan with 2019/20 being the third year of this investment programme.

9.2 During 2018/19 ICT investment has been made in the areas listed below. The initiatives are a mixture of systems to underpin departmental transformational agendas, the implementation of fit for purpose systems or to establish compliance in line with the ICT strategy:

- Locata - GM solution enabling the step-by-step management of homeless applicants
- E-CINS - cloud-based digital solution, enabling multi-agency teams to collaborate in relation to challenges involving rough sleeping and street begging
- QL - housing management system
- SHARP Gateway (go-live Feb-April 2019) -Temporary Accommodation Single Point of Access

9.3 From a technology and systems perspective, the focus for Homelessness in 2019/20 is as follows:

- The capability to bring data together from different systems, providing opportunities in relation to dashboards and broader reporting requirements. The systems used by the Homeless team are serving different purposes, any reduction in systems is therefore unrealistic for the foreseeable future, hence the need for improved reporting capabilities.
- The Homeless team will explore the use of digital rostering solutions, recognising the benefits delivered in other areas, such as Reablement.
- Technology solutions aiming to better protect homeless staff in the field will be considered in 2019/20 (how such a solution might be used and the cost/effort involved to implement)
- The Homeless Service will be part of the Liquid Logic implementation over the coming year.
- Consider options for a temporary system to manage the standard of dispersed temporary accommodation properties.

9.4 Any initiatives requiring ICT support will need to be considered against the broader ICT portfolio, recognising the finite funding and resources available. The ICT Strategic Business Partner will support and advise the Homeless team in this regard.

9.5 ICT will work the team in order to identify solutions that comply with the information and ICT design principles and to develop robust business cases to support their development.

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<u>Appendix 1 - Delivery Plans</u>
<u>1. Revenue Financial Plan</u>

Table showing an overall summary of financial position

Subjective Heading	2018-2019 Budget £,000	2019-2020 Indicative Budget £,000
Expenditure:		
Employees	8,335	10,468
Running Expenses	16,134	19,830
Capital Financing Costs		
Contribution to reserves		
Total Subjective Expenditure	24,469	30,298
Less:		
Other Internal sales		
Gross Expenditure	24,469	29,798
Income:		
Government Grants	(3,347)	(3,586)
Contributions from Reserves		(1,440)
Other Grants Reimbursements and Contributions	(101)	(101)
Customer and Client Receipts	(11,796)	(11,796)
Other Income		
Total Net Budget	**9,225**	**13,375**

2. Performance Plan

Our Plan Priority	Objective	Indicator	2017/18 result	2018/19 target	2019/20 target
Healthy cared for people	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.	Outcomes - Reduce the number of people sleeping rough (Annual rough sleeper count)	94 (2017)	120	98 (2019)
		Outcomes - Increase the number remaining in settled accommodation after 12 months. * (PRS team)	N/A	N/A	75%
		Outcomes - Reduce the average length of time within in house temporary accommodation. (QL)	N/A	N/A	12 months
		Outcome- Reduce the average length of time in bed and breakfast accommodation (Allocations team)	N/A N/A	Singles below 65 days Families below 35 days	Singles below 56 days Families below 30 days
		Outcomes- Reduce the average length of time within dispersed temporary accommodation. (QL)	N/A	N/A	Below 24 months

		Total satisfaction with the temporary accommodation provided (rated out of 5) (in-house reporting)	N/A	N/A	3/5
		Outcomes - Increase the number of positive move ons (into settled accommodation) (PRS team)	147 PRS 616 social	400 PRS 650 social	800 PRS 650 social
		Outcomes - Increase the number of homelessness preventions (H-CLIC)	N/A	330	500
		Outputs -Total number of households in temporary accommodation * (QL)	1,803	2,001	2,103
		Outputs - Number of households in dispersed accommodation * (QL)	1,353	1,500	1,600
		Outputs - Number of people in B&B accommodation * (QL)	35 families 128 singles	73 families 90 singles	65 families 100 singles

Notes:

- ** as recorded on the 31st March*
- Several of the indicators are part of the Manchester Homelessness Strategy which is a city wide strategy involving a number of external partners. The figures stipulated in this table relate to Manchester City Council's performance in relation to this strategy.
- The 2018/19 rough sleeping target was 120, actual figures will be released by the Government in February 2019.
- The Homelessness Prevention result for 2017/18 is not included here, as the methodology for recording prevention outcomes has changed with the introduction of the Homelessness Reduction Act in April 2018.

3. Equality Overview and Action Plan

The Council has a long established commitment to supporting diversity in the City and, under the Equality Act and associated Public Sector Equality Duty, a legal requirement to take account of equality considerations in its organisational planning processes.

The organisation's Corporate Equality Objective, to achieve an 'Excellent' status under the Equalities Framework for Local Government (EFLG) was achieved in 2015 following a peer assessment by the LGA.

The Council has set itself three equality objectives for 2016 – 2020 which help describe the things that need to be done to support Manchester's vision to be progressive and equitable. These are, 'Knowing Manchester Better', 'Improving Life Chances' and 'Celebrating Our Diversity', and each has a set of aims which are updated annually and describe the areas and activities that we must focus on to ensure we are making progress.

The Homelessness Service is committed to delivering the vision of Manchester's Homelessness Strategy, which is to end homelessness in the city. As part of Manchester's Homelessness Partnership the Council is working with healthcare and other public services, charities, faith groups, businesses, institutions and other organisations to adopt the values of the Charter and to reduce the inequalities that lead to people becoming homeless.

Activity undertaken in 2017-18 year to promote equality and diversity in the City in support of the Council's equality objectives and supporting aims

During the previous year the Homelessness Service has promoted equality and diversity in a number of ways, including through ongoing work to deliver against the five areas of the Equality Framework for Local Government (EFLG).

- Development of new data capture measures for homelessness accommodation and support services that reflect best practice guidelines around LGBTQ individuals
- Development of co-production mechanisms with the Homelessness Partnership to ensure that we listen to the views of people who have insight into homelessness and formulate policies, procedures and services with them at the heart of all we do.

Planned activity and priorities for the next year to promote equality and diversity in the City in support of the Council's equality objectives and supporting aims

The Homelessness Service will continue to develop and embed equalities promotion and activity within their work. This will include working with partners, including statutory, voluntary, and faith organisations to deliver the vision and aims of the Homelessness Strategy.

1. Knowing Manchester Better
- continue to develop a co-production approach with the aim of engaging with, and understanding, the diverse experiences of people using services
- continue to develop strong links with statutory and voluntary sector partners, including working with partners to share knowledge and understand the impact of big changes within the city on different communities
- embed and expand the Our Manchester approach in services, building on our self-assessment rating of '*developing'*
- improve data capture and cohort analysis, including developing new tools and systems such as the MAS Gateway to better know our communities and people using our services

2. Improving life chances
- continue to reduce inequalities in Manchester residents' outcomes through developing services that focus on early intervention and prevention to stop families and individuals becoming homeless, and improving access to settled homes for people in temporary accommodation
- work closely with partners to help people who are homeless into volunteering and subsequently employment therefore contributing to sustained economic growth that benefits everyone

3. Celebrating our Diversity
- continue to promote the diversity of Manchester residents, making use of communication channels and partners to celebrate Manchester's diverse communities
- continue to develop a diverse and inclusive workforce
- embed the involvement of people with personal insight of homelessness in all recruitment, commissioning, and service design processes

Proposed changes and activities over this budget and business planning period that have an impact on equalities in general or specific protected characteristics in particular

There are a range of ongoing and new activities within the Homelessness Service that will directly impact on equalities:
- Development of the MAS Gateway, which will facilitate access to housing related support services and allow comprehensive data monitoring of services. The Gateway is being co-produced with partners and people who use services in order to ensure it best meets their needs. It is anticipated that the Gateway will have a positive equality impact as it will ensure that individuals with the greatest need are given access to services. Mitigating actions to address any potential or unforeseen negative changes are being addressed as part of project planning and co-production.
- The commissioning of the accommodation services, which provide accommodation for people who are vulnerable and homeless

- The transferring of the management of dispersed temporary accommodation from the Council to a provider to improve standards of properties.

Proposal	Proposed EIA Completion Date	Decision Date	Senior Management Lead	Comments on initial potential impacts
Development of the MAS Gateway	February 2019	March 2019	Jane Davies	No negative equality impacts anticipated at this stage
Commissioning of the young people's pathway	March 2019	May 2019	Jane Davies	No negative equality impacts anticipated at this stage
HRS commissioning	February 2019	March 2019	Jane Davies	No negative equality impacts anticipated at this stage
Advice Commissioning	February 2019	March 2019	Jane Davies	No negative equality impacts anticipated at this stage
Procurement of dispersed temporary accommodation	April 2019	May 2019	Louise Stonall	Positive equality impacts anticipated at this stage

Monitoring of the Equality Action Plan
The schedule of EIAs above merely reflects the planned activity at the point of writing the Budget and Business Plans. The Homeless Equality Champion and Equality Team lead will work together on an ongoing basis to drive EIA activity in more detail. This work will include continual updating of the EIA schedule and the continual monitoring and evaluating of the effectiveness of the mitigation activity.

Progress on the delivery of the Equality Action Plan is reported to the Communities & Equalities Scrutiny Committee on an Annual Basis. This report is produced by the Directorate Equality Champions supported by the Equalities Team.

4. Workforce Plan

Workforce Strategy

A summary of the key drivers for workforce change and strategic workforce objectives within Homelessness for 2019/20 are as follows:

- Embedding the recent redesigns and new delivery models for prevention and intervention
- Exploring options for an alternative service provider to deliver the Housing Management function for the dispersed temporary accommodation service to which TUPE implications may apply.
- Provision of high quality, efficient services, through the new delivery models
- Skills development for all staff to reflect systems transformation including the development of career pathways that model new ways of working.
- Continue to improve the delivery of our statutory and other services and the experience of the citizens whilst homeless or at risk of being homeless.
- The need to develop leaders and managers to have the right skills and attributes to operate the basics of good management practice so the foundations on which to build strong motivated teams for the future are laid.

All of the drivers for workforce change will support the Homelessness Service so that they are focused around people and communities, and staff have the relevant attributes and behaviours to work to the best of their ability in a supported environment.

In terms of workforce implications, our staff are our most important asset, how they think and feel about their work, how we engage with them and how we value them is extremely important to harness the commitment and support to take us further forward into integrated ways of working. Developing and supporting staff to embed the 'Our Manchester' principles and behaviours will be fundamental to achieving our objectives. We will continue to nurture an environment where they want to be part of developing and improving the future of the citizens of Manchester. Our responses and action plans to address key themes that arise from the Be Heard Survey, will also ensure that our staff feel listened to and their opinions are valued.

We will continue to review how we communicate and engage with our staff that will incorporate dedicated communication events and the development of new technologies that helps us keep in touch and connected with our workforce on the frontline. Our engagement and action strategy will be monitored through our senior management team and provide a robust framework from which we will incorporate feedback from surveys, develop actions and monitor our performance to achieve the key changes. We will deliver of a programme of 3 service Staff Engagement Events over the year ahead. The focus will be on sharing the vision and priorities for the service, new initiatives, Our Manchester behaviours and ways of working, sharing knowledge and expertise. We will also use workshop sessions to discuss and improve service and future delivery. We will continue to develop the service wide newsletter. BeHeard completion is low in Homelessness - this year every member of staff will be given dedicated time to complete the survey on line to try to address this in order for a more representative response across the service. We are also introducing recognition and reward for staff and teams, acknowledging and highlighting positive behaviours and outcomes as a result of taking the Our Manchester approach in problem solving.

Through our workforce and organisational development plans we will support the growth of our leaders and managers, continuing to build capacity and create a positive culture to improve performance management. This will be supported through the Manchester City Council Leadership and Management programmes, specific development programmes and co-production work with our external partners. All Senior Managers and service managers will undertake the Our Manchester Leadership and Raising The Bar programmes. Delivery of Wider Leadership Management sessions for all managers will be scheduled, where we will come together and share best practice. Senior Managers will also continue to regularly visit front line services to ensure they remain in contact with front line staff and the 'sharp end' of service delivery.

There will be a strong focus on management induction and understanding the basics of practical management including relevant policies and procedures. This will be supported via the frameworks already in place i.e. absence management clinics and management information to inform this, to enable managers to operate effectively.

The shift to strengths / asset based ways of working has already begun, and the next phase of this work sees the development of a system-wide programme for all staff across all parts of the Manchester system, building on the existing Our Manchester experience. This will expand its remit so it is more reflective of partnership working and there is a stronger focus on winning hearts and minds; enabling staff to develop practical tools and techniques to apply the approach in their workplace.

The mandatory and statutory training programmes will be refreshed and updated to reflect the wider scope of skills that will be required for the future.

Through the workforce assurance dashboard we will ensure that close monitoring of absence management, agency spend and overtime are highlighted at a Senior Management level ensuring oversight and actions are taken by relevant managers in a timely manner, in accordance with policy and procedure. All managers will be expected to take a proactive approach to staff wellbeing through early intervention, use of the Employee Assistance Programme, timely referrals, promotion of access to training/awareness to better support wellbeing such as mindfulness etc.

5. Strategic Risk Assessment and Register

ID	Theme	Risk Description	Risk Owner	Existing Controls	L	I	Risk Score	Response Actions
1	Capacity and Demand	The volume of new homelessness referrals outstrips the available resources. Service and quality standards deteriorate.	Viv Feeney	Currently have no control over the numbers of people presenting with housing issues. Appointment based based approach to manage workload. Staff within the customer service team assist in triaging cases and signposting elsewhere Advice contract focusing upon prevention of homelessness	5	4	20	Invest in prevention services further upstream to reduce demand through the front door. Work with RPs to provide prevention advice Ensure appropriate data available to monitor demand. Invest in housing solutions staff to manage the demand.
2	Capacity and Demand	Insufficient affordable housing available as "move on" accommodation for homeless households. This results in prolonged homelessness and a lack of choice regarding location of accommodation.	NR	Increased PRS team Work with RPs to increase direct lets Agreement under the Homeless Strategy that RPs will give 25% of allocations rather than 18%	5	4	20	Buying of larger houses will move bigger families on Increasing the size of the PRS team (Feb 2019) PRS bid has been submitted to increase landlord incentives (Outcome in Spring 2019) Social allocations policy is being reviewed (April 2010) GM social letting agency being progressed (Dec 2019) Work across GM to look at placing people in affordable accommodation (April 2020).

3	Capacity and Demand	Increased service demand, combined with increased number of complex cases results in an inability to identify and respond to safeguarding concerns.	Nicola Rea	Temporary accommodation hostels are linking in with named ASC social workers CGL working in hostel accommodation Early Help hub assessments are undertaken for all families and links are made with appropriate services Floating support service has been increased and training undertaken	**4**	**4**	16	Increased housing solutions staff will increase prevention work and reduce numbers going into temporary accommodation (March 2019). Increased PRS staff will improve the PRS offer at the front door and will deflect some people from entering temporary accommodation (Feb 2019) Increased PRS staff will work with people currently in temporary accommodation to help them move into the PRS and reduce case numbers for support staff (April 2019). Better links with ASC and mental health services will help support people with complex needs May 2019). Staff have been briefed on the three priorities: Safeguarding / Move On / Rental Income (ongoing).
4	Capacity and Demand	Increasing levels of rough sleeping leads to individual rough sleepers being placed at an enhanced risk of harm, impacts on health (physical and mental), increased pressure on service providers to take placements.	Laura Steven-son	An outreach team works with people to provide them with support and accommodation options. Outreach times have changed to provide longer outreach times A bi-weekly task and target meeting is taking place to	4	4	16	The team has been increased from 2 to 8 and a full team will be in place by March. Commence joint outreach with partners. Recruit x2 mental health workers to work with rough sleepers.

				agree how the most at risk will be supported.				
5	National Strategy	Impacts emerging from changes in benefits and welfare reform creates unanticipated financial demand and further pressure on budgets.	NR	Working with the welfare reform board to better understand future demand. Funding is provided to Citizens advice, shelter and CHAC to reduce debt for the population.	4	4	16	Work with PRI to understand the impact upon the homelessness service specifically (May 2019) Challenge the capping of the LHA rate at Governmental level (Aug 2019).
6	Finance	The short term nature of external funding streams creates difficulties in assuring the long term provision of response strategies and work programmes	In-house - Louise Stonall Commissioned - Jane Davies	**Winter Pressures** funding for Hospital Discharge for homeless individuals. Attempts to recruit to key roles have so far been unsuccessful as suitable candidates have not been sourced. Developed strengthened business case to illustrate risk of short term funding. **New Burdens Funding Move-On Floating Support Team and increased capacity in PRS** - Issue of time limited 12 month funding and impact of removing a successful service through lack of ongoing funding. The in house service works closely with HR to ensure every step is taken to **speed recruitment processes**.	3	4	12	**Winter Pressures** - Work with Health Service to investigate funding options to support to reduce their costs around delayed discharge. Extend time scale of limited funding offer if it reduces numbers of households in Dispersed TA. Expand across Floating Support Service. Implement changes to tenancy agreements in order to speed up move on from TA. Consider options to reconfigure services to focus on prevention. Encourage internal applications to key posts.

				A Bed Every Night - Work with partners to ensure that ABEN schemes open quickly and are fully utilised over the winter. Ongoing monitoring of ABEN over winter. Weekly GMCA Steering Group meetings **RSI funding -** funding confirmed until March 2019 and provisional award made for 2019/2020. Ongoing monitoring of the impact of RSI interventions with RSI partners and with MHCLG adviser.				Develop business case with funding and options for year round ABEN. Discussions with GMCA about continuation funding for ABEN beyond March 2019. Ensure that the conditions are met for securing the 2019/20 RSI funding. Review impact of RSI and develop business case for continued investment. Work closely with MHCLG re applications for additional / continuation funding. Improve intelligence re people who sleep rough including flow on and off the streets
7	Staffing	Risk of increased work related stress claims from staff due to increased complexity and numbers / level of caseloads	Louise Stonall	About You discussions and supportive management focus taken with all staff/ teams Prompt referrals for staff to Healthworks where necessary-especially re stress at work. Self referral to Employee Assistance Programme. Regular supervision with all staff to discuss caseload concerns/ escalate for	4	3	12	Ensure all managers and staff access relevant awareness/ training Ensure Managers make timely referrals to Healthworks requesting advice, guidance and support for any staff reporting ‘stress at work’ issues Ensure Senior Managers regularly meet and engage meaningfully with individual teams and that an open forum for communication exists.

				assistance to relevant sources of support Mindfulness and wellbeing sessions promoted to all staff				Senior Managers monitor caseload numbers and demand within service areas The above are all ongoing actions.
8	Reputation	Reputational risk to the Council in terms of the standard, and cost of temporary accommodation provision (including B&B and dispersed accommodation).	Tom Birtwistle	All new and recycled properties inspected. including copies of safety paperwork. B&B's inspected by officers yearly. Ad-hoc meetings with providers if issues highlighted. Occupied dispersed properties inspected when informed of repair issues. Inspecting officers undertake regular training.	4	3	12	Inspections of B&B at least twice yearly. Yearly proactive inspections of occupied dispersed properties. Undertake at least 6 monthly meetings with providers of dispersed properties. Training of support workers in relation to repairs. Improve move on rates to reduce time spent in temporary accommodation. Return properties with poor standards or repair issues. Ensure providers are meeting their contractual obligations as specified in dispersed contract. Procurement of housing management function

9	Staffing	Staffing establishment lacks the capacity and skills necessary to meet the needs of increasingly complex cases. Frontline staff are subjected to greater safety risk as a result of increased complexity particularly in regard to untreated mental health issues.	LStonall	Monitoring of demand, review of service provision and working closely with Team Managers enables Senior Managers to ensure resources are deployed effectively Service Training Plans - Staff attend mandatory training on regular cyclical basis (such as Safeguarding Training) Working with Mental Health, the service is developing targeted training and awareness sessions for our staff round Mental Health. Services work collaboratively with partners to ensure households and individuals are linked in to relevant and specialist support Working with Revs and Bens staff training is being undertaken with all staff in accommodation services.	4	3	12	Ensure business cases are developed to bid for funding or changes in service focus wherever necessary. Ensure service training plans are developed and reviewed. Develop partnership initiatives to bring in additionality and specialist skills to our service - such as increasing the use of volunteers at our sites. Working with external partners and charitable organisations to deliver specific initiatives to better support people and households
10	Partnership Working	Failure to procure Registered Providers to manage the Dispersed Temporary Accommodation contract results in increased costs for MCC and lack of investment in prevention services.	GC	New dispersed spec for soft market testing, now circulated to all 15 providers on the TC504 contract, as well as M/c based RPs. New PRS, FSS Move On Team and Housing Solutions model working to reduce numbers	3	4	12	Work is being progressed to move the dispersed temporary accommodation contract to an external provider. Procurement exercise to commence Jan 2019. Current interest in the contract by providers/RPs, however they will need to ensure rental income is

				entering temporary accommodation should reduce dispersed budget pressure.				approved by Rev's & Ben's to make the contract financially viable. Consider Greater Manchester Social Lettings Agency to possibly manage this contract and establish a GM wide contract. Deadline Sept 2019.
11	Staffing	Long term sickness undermines service delivery and cost efficiency resulting in need to resort to increased use of agency staff.	Louise Stonall	Managers monitor absence and record accurately ensuring timely interventions to support staff in managing absence/ return to work. Timely referrals to seek medical advice and guidance from HR and Healthworks. Regular monthly Absence Management Clinics take place between Senior Managers and HR Close management of Long Term Sickness cases and use of phased return to works/ adaptations to minimise agency useage and return staff to work in a more timely fashion	4	3	12	Ensure all managers conduct timely AMR and Healthwork referrals to effectively manage absence and support staff to speedier return to work Managers are effectively supported in absence case management via the service SMT absence management clinics that take place on a monthly basis with HR The above are all ongoing actions
12	Capacity and Demand	Numbers of households placed out of borough (OOB) in temporary accommodation results in a series of associated placement risks - eg inappropriate school placements; drain on local resources; remoteness from support teams; isolation and loss	Gareth Clarke	B&B families triage system introduced. Triage identifies high, medium and low needs cases and allocates high cases within MCC boundary only. FSS Move on team to provide support to families where support workers are non car users, to provide a greater level	4	3	12	Floating Support move on team to work with households focussing on quick wins and ready to move households, as well as households who will never be rehoused. We anticipate a reduction in cases per support worker, which will allow for a greater quality of support work for all households.

		of contact with local support networks.		of support and quicker move on. Working closely with LA's to pick up and deal with any issues experienced by households. Where OOB families display increasing levels of need, Homelessness to move back within the MCC boundary, or if required, Willowbank.				Early warning system in place with Children's where a family's duty ends due to IH or refusal of a permanent property. Pilot Children Services social worker based in Floating Support Service to deal with end of duty cases and families who require support. As dispersed properties within MCC boundary become vacant, move households back into borough. (All ongoing)
13	Finance	Severe financial pressures emerging in some areas of service provision (eg B&B spend) unbalances the overall budget and results in an inability to deliver the entirety of the service offer.	NR	Section 21 pilot should reduce placements in B&B Monthly monitoring of the budget Weekly monitoring of the placements Governance process in place to ensure numbers accessing B&B are as low as possible.	4	3	12	Work is being progressed to move the dispersed temporary accommodation contract to a RP (Sept 2019) New PRS and Housing Solutions model working to reduce numbers entering B&B and temporary accommodation (Feb 2019)
14	Commissioning	Failure to recommission domestic violence and young peoples' services within required timescales results in break in service provision or potential for legal challenge from alternative providers.	Anna Thorogood	Approval for an extension has been sought in principle. Some commissioning activity has commenced, including review of services	3	4	12	Gain understanding from legal with regards to legal requirements for reprocurement and impact & challenges Develop a commissioning plan with timetables for the work and get sign-off from senior stakeholders Regularly review the commissioning plan to ensure timescales are being met

								Work with children services to ensure progression of a joint commissioning strategy Deadline: June 2019
15	Capacity and Demand	Additional funding is not found to provide adequate volumes of accommodation provision for homeless young people and care leavers within the city	Sean Bleasdale	Homelessness Prevention Service at Centrepoint works with young people to prevent homelessness and/or placement in emergency and supported accommodation. Redesign of young person's pathway in progress with children's services.	4	3	12	Agreement in place for a placement planning panel for care leavers - to commence January 2019. Develop joint commissioning with children's services to redesign the young person's pathway. Review the joint working protocol between childrens and families for 16/17 year old children Undertake a cost benefit analysis to clearly make the case for investment in additional emergency and supported accommodation for young people Deadline: June 2019
16	Partnership Working	The strategy for management of ASB and strategy for people who sleep rough fail to align - this results either in poorly aligned service response or conflict between partners.	LS	Team is part of the Integrated Neighbourhood Management team. Partners work together to address issues across the city.	3	3	9	Weekly multi-agency outreach with VCS taking information from the INM to target outreach in the city. Ongoing discussions between partners to enable a shared understanding.
17	Reputation	Increases in numbers of homeless people on the streets results in negative impact on reputation of Council service provision.	LS	A comms strategy is in place for this area of work.	3	3	**9**	Providing more information and stories about the positive impact of the service. Regular update and progress reports to partners including the BID Board.

18	Capacity and Demand	Failure to find appropriate adapted accommodation and sufficient larger properties.	TB	Discussions with providers to source appropriate properties. PRS team to source appropriate sized/adapted properties to facilitate move on, 60 properties to be acquired by strategic housing. 50% of larger properties now being direct let	3	3	9	Capital project to provide adapted TA provision within existing inhouse accommodation. Discussions with RP's with adapted stock. Develop stronger communication links with accommodation providers to increase number of larger / adopted properties Explore scalable options for buying properties
19	Capacity and Demand	Degrading condition and quality of housing stock results in a net reduction in the number of properties available, resulting in further use of B&B accommodation and increased cost.	TB	Dispersed properties and PRS inspected prior to allocation.	3	3	9	Standardise a "minimum standard" of acceptable conditions for providers and inspectors. Proactive inspections of dispersed properties once a year minimum. Reduce use of TA by moving people out of TA quicker into the PRS and through automated bidding Progress transfer of dispersed TA to a RP
20	Capacity and Demand	Loss of access to private sector properties and emergency temporary accommodation (UTA) as appetite to engage changes.	TB	Discussions with private sector when issues arise. Work with our partner agencies and landlords to understand the issues facing owners of UTA properties. Work with Revs and Bens to understand if accommodation can become supported and therefore no longer under UC.	3	3	9	Comms strategy. Further engagement with the private sector to provide intervention if possible Working with revs and bens to understand different models of support and rental income

22	Partnerships	Standards of service provision commissioned from newly contracted providers and partners fail to meet the required service quality standards.	JD	New specifications have been developed which provide clear guidance on expected standards Providers currently complete some monitoring information	2	4	8	Monitoring and evaluation plan to be developed, including: ● governance ● visits ● expectations ● frequency of reporting Regular meetings with providers to be scheduled to discuss quality and raise any issues should they arise
23	Performance Management	Inability to generate the necessary information and intelligence to performance manage from within IT systems.	TB	Business analyst post created to oversee this process. Operations Manager in post to oversee performance metrics. Performance meetings monthly now in place across the service	2	4	8	Use of business objects to coordinate various systems across the service. New performance metrics in development for full implementation in 2019/20. Development and implementation of Liquid Logic. Development of SPOA for accommodation and support planning Purchase of "data warehouse" via GMCA for use with the Locata system. Work with GMCA on updating M Think and rolling out across GM
24	National Strategy	The service does not have control over the development of wider strategy (either national or regional). Strategic priorities change within year and are not aligned to business plan objectives.	NR	Influencing governmental strategy through links with MHCLG; Core Cities; Health and GMCA	3	2	6	Closer working on a national level to influence national policy (ongoing)
25	Partnerships	Fully aligned strategy with other departments, partners and	NR	Work with childrens services regarding care leavers	2	2	4	Closer working with LCO and MHCC to be continued (April 2019)

		members does not emerge creating challenges in aligning workstreams across partnership agencies.		Work across the Manchester Partnership to align strategies and direction of travel Closer working with LCO and MHCC started				Closer integration with the LCO Integrated Neighbourhood Teams (Oct 2019) Agreed action plan with children's services to progress joint working (March 2019)

Manchester City Council
Report for Resolution

Report to:	Executive – 13 February 2019 Resource and Governance Scrutiny Committee – 25 February 2019 Council – 8 March 2019
Subject:	Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2019/20
Report of:	City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2019/20 and Prudential Indicators for 2019/20 to 2021/22.

Recommendations

The Executive is requested to:

1. commend the report to Council.
2. Delegate authority to the City Treasurer, in consultation with the Executive Member for Finance, to:
   - approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget; and
   - submit these changes to Council.

The Resource and Governance Scrutiny Committee is requested to:

1. commend the report to Council.

The Council is requested to:

1. Approve the proposed Treasury Management Strategy Statement, in particular the:
   - Prudential and Treasury Indicators listed in Appendix A of this report
   - MRP Strategy outlined in Appendix B
   - Treasury Management Policy Statement at Appendix C
   - Treasury Management Scheme of Delegation at Appendix D
   - Borrowing Requirement listed in Section 6
   - Borrowing Strategy outlined in Section 9
   - Annual Investment Strategy detailed in Section 10
2. Delegate to the City Treasurer, in consultation with the Executive Member for Finance & 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

Contact Officers:

Carol Culley	City Treasurer	Tel. 0161 234 3406 c.culley@manchester.gov.uk
Janice Gotts	Deputy City Treasurer	Tel. 0161 234 3590 j.gotts@manchester.gov.uk
Tim Seagrave	Group Finance Lead – Capital & Treasury Management	Tel. 0161 234 3445 t.seagrave@manchester.gov.uk
David Williams	Treasury Manager	Tel. 0161 234 8493 d.williams8@manchester.gov.uk

Background documents (available for public inspection):

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

- Treasury Management Strategy Report framework provided by Link Asset Services (Treasury Advisors)

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 highlights 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.

2. **Statutory and other requirements**

2.1. **Background**

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.'

2.2. **Statutory requirements**

The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury

Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as section 10 of this report); the Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Department 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 have also issued Public Services Guidance Notes in 2018 to support the changes made to the Codes.

2.3. **CIPFA requirements**

The CIPFA Code of Practice on Treasury Management (Revised November 2009) was originally adopted by the Council on the 3 March 2010, having been approved by Executive on the 10 February 2010. The Code was revised in November 2011 and in December 2017. The revisions followed consultation with the public sector and were made in response to development of the localism agenda and a sustained period of public spending. This strategy has been prepared in accordance with the revised December 2017 Code.

The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;

b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;

c) Receipt by the full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year;

d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;

e) Delegation by the Council of the role of responsible body for treasury management strategy and practices, budget consideration and approval, monitoring and selection of external service providers to a specific named body. For this Council the delegated body is the Audit Committee.

f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Resource and Governance Scrutiny Committee.

The Council's adherence to the Prudential Code is monitored through the series of Prudential Indicators defined by CIPFA. These have recently been subject to revision following a consultation, and this strategy adheres to those revisions. 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.

2.4. **Treasury Management Strategy for 2019/20**

The suggested strategy for 2019/20 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: Statutory and other Requirements
Section 3: Treasury Limits and Prudential Indicators
Section 4: Impact of 2012 HRA reform
Section 5: Current Portfolio Position
Section 6: Borrowing Requirement
Section 7: Treasury Limits and Prudential Indicators for 2019/20 to 2021/22
Section 8: Prospects for Interest Rates
Section 9: Borrowing Strategy
Section 10: Annual Investment Strategy
Section 11: Scheme of Delegation
Section 12: Role of the Section 151 Officer
Section 13: Minimum Revenue Provision (MRP) Strategy
Section 14: Recommendations

Appendix A: Treasury Limits and Prudential Indicators for approval
Appendix B: MRP Strategy
Appendix C: Treasury Management Policy Statement
Appendix D: Treasury Management Scheme of Delegation
Appendix E: The Treasury Management Role of the Section 151 Officer
Appendix F: Economic Background – Link Asset Services
Appendix G: Prospects for Interest Rates
Appendix H: Glossary of Terms
Appendix I: Treasury Management Implications of HRA Reform

2.5. **Balanced Budget Requirement**

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. In particular, Section 31 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional to capital expenditure; and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

3. Treasury Limits and Prudential Indicators

3.1. The Council must comply with appropriate legislation and have regard to the Prudential Code when setting its Treasury Management Policy and Strategy. Following the issue in 2017 of MHCLG revised guidance on local government investments CIPFA consulted with the public sector and revised the Prudential Code. The changes included:

- the opportunity for an Authority to identify its own prudential indicators to reflect local circumstances.
- cancellation of the requirement for an Authority to formally note that it has adopted the Code.
- extension of the responsibilities of the Treasurer in respect of the Capital Strategy and the investment of non-financial assets. See Appendix E.
- deletion of the Council Tax indicator. This indicator could be fundamentally misleading as it struggled to reflect how borrowing might be taken, or the impact of changes in market conditions.
- clarification that the Code covers all investments held primarily for financial returns. This implies there is no differentiation between investments held for treasury purposes and investments held for commercial purposes.
- withdrawal of the requirement to analyse interest rate exposure or credit risk.

Three existing Indicators were confirmed as being key:

the Authorised Limit (Affordable Borrowing Limit)
the Operational Boundary, and
Actual External Debt from the preceding year

3.2. 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.

3.3. 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.

3.4. 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.

3.5. The full set of Treasury limits and Prudential Indicators recommended by the Code and used by the Council, together with their suggested levels for 2019/20 is noted in Appendix A of this report below.

3.6. It should be noted that the Treasury limits and Prudential 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.

4. The Housing Revenue Account - Impact of 2012 HRA reform

4.1 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.

4.2 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.

4.3. 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.

4.4. 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.

5. Current Portfolio Position

5.1. The forecast portfolio position for the end of the current financial year is shown below and assumes the novation of the loans relating to the Greater Manchester Housing Investment Fund provided by MHCLG to the Greater Manchester Combined Authority (GMCA) will complete before the end of the 2018/19 financial year. The City Council will retain some elements of the investments which were already committed at the time of the transfer and these loans will be retained until the investments end. The GMCA will support the cashflow of the Council to ensure that the arrangement is cash neutral for the Council. This is reflected in the short term borrowing position shown.

5.2 The forecast portfolio position below assumes that the related MHCLG loan no longer forms part of the Council's debt position and GMCA will provide short term borrowing to cover existing commitments under the Housing Investment Fund. It also reflects £150m of PWLB borrowing has been taken this financial year to support the Council's cash flow.

5.3 The Council's forecast treasury portfolio position at 31 March 2019 is:

Table 1		**Principal**			**Av Rate**
		GF £'m	HRA £'m	**Total £'m**	%
Long Term Borrowing					
	PWLB	150.0	0	**150.0**	2.45
	Market	338.0	62.2	**400.2**	4.50
	Stock	0.9	0	**0.9**	4.00
SALIX	Government	11.4	0	**11.4**	0.00
HCA	debt	8.4	0	**8.4**	0.00
		508.7	62.2	**570.9**	3.80
Short Term Borrowing		113.0	0	**113.0**	0.01
		113.0	0	**113.0**	
Gross debt		**621.7**	**62.2**	**683.9**	3.17
External Investments		0	0	**0**	0.00
Internal balances (GF/HRA)		34.5	(34.5)	**0**	0.00
Net debt		**656.2**	**27.7**	**683.9**	
Capital Financing Requirement				**1,488.5**	
Gross Debt				**683.9**	
Internal Borrowing				**804.6**	

5.3. 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 means capital expenditure incurred but not yet paid for.

5.4. The Capital Financing Requirement of the City Council excluding credit arrangements as at 31 March 2019 is forecast to be c.£1,488.5m. The difference between this and the actual gross debt of the Council is c.£804.6m which is the amount of funding that the Council has internally borrowed. This is a reflection of the treasury strategy where internal cash has been utilised to reduce the amount of borrowing required rather than holding this cash as investments. 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.

5.5. 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.

5.6. The portfolio at 31 March 2019 includes Council Stock with a value of £0.86m. 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.

5.7. The portfolio above includes the funding from the GMCA for previous investments made by the City Council for the Housing Investment Fund. During the year repayments from the investments may be received and the Council will reduce the short term funding from the GMCA accordingly. Similarly if these loans require further advances the funding from the GMCA will increase.

6. Borrowing Requirement

6.1. The potential long-term borrowing requirements over the next three years are:

Table 2	2019/20	2020/21	2021/22
	£'m estimate	**£'m estimate**	**£'m estimate**
Planned Capital Expenditure funded by Borrowing	153.1	179.7	174.5
Change in Grants & Contributions	-5.1	48.8	2.6
Change in Capital Receipts	3.3	28.8	-0.7
Change in Reserves	16.1	32.7	19.6
MRP Provision	-24.8	-31.3	-37.0
Refinancing of maturing debt (GF)	2.8	2.2	4.7
Refinancing of maturing debt (HRA)	0.2	0	0.5
Estimated Borrowing Requirement	145.6	260.9	164.2
Funded by:			
GF	145.4	260.9	163.7
HRA	0.2	0	0.5

6.2. The borrowing detailed in Table 2 maintains the Council within the revised Government Debt Deal limit. The current Debt Deal expires in 2019/20 and it is not clear what will happen for the next Spending Review Period.

7. Prudential and Treasury Indicators for 2019/20 to 2021/22

7.1. Prudential and Treasury Indicators (as set out in Appendix A to this report) are relevant for the purposes of setting an integrated treasury management strategy.

8. Prospects for Interest Rates

8.1 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:

Link Asset Services Bank Rate forecast for financial year ends (March)

- 2019: 0.75%
- 2020: 1.25%
- 2021: 1.50%

8.2 There is no certainty to these forecasts. The Bank of England increased Base Rate from 0.50% to 0.75% on 2nd August 2018. Base Rate had previously remained static at 0.50% since March 2009, albeit for a reduction in August 2016 to 0.25%. This was later reversed in November 2017 when the rate was reinstated to 0.50%. In November 2018 the Governor of the Bank of England predicted that future rate rises will remain "gradual", but indicated that there will be a need to raise the Rate to 1.5% over the next three years to keep inflation under control. In addition there was a suggestion that the next Rate change could be either up or down dependent on the outcome of the Brexit arrangements. A detailed view of the current economic background prepared by Link is at Appendix F to this report.

8.3 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.

8.4 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.

9. Borrowing Strategy

General Fund

9.1. The proposed Capital Budget, submitted to Executive in February and Council in March contains significant capital investment across the city. The scale of the investment means the Council will need to undertake external borrowing in the future and will not be able on to rely on internal borrowing alone. The first tranche of external borrowing was taken from the PWLB in quarter 4 of 2018/19. Where possible, internal borrowing will remain the first option due to the interest savings generated.

9.2. The Council's borrowing strategy must 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.

9.3. In previous years this has not been an issue as the Council has had significant borrowing requirements year on year which have allowed it to utilise the MRP. However the borrowing requirement may fall in the long term so a prudent strategy is to seek to borrow in the medium term with maturities to match the estimated MRP that is generated in that period. This avoids an accumulation of cash on the Balance Sheet that would need to be invested at a potential net cost and investment risk to the Council.

9.4 Following the HRA debt settlement the Council's debt position is one of significant internal borrowing meaning cash backed reserves and provisions in the HRA are being used in lieu of external debt. The external debt held is predominantly long term in nature.

9.5 The Council will continue to use its 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 2019/20 and beyond does not contain any requirement for the HRA to borrow. It is expected that proposals will be brought forward to build new homes that require funding via borrowing so it is likely the HRA will have a borrowing requirement in 2019/20. Further details can be found in the HRA Business Plan report elsewhere on the agenda. 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.

i Public Works Loan Board (PWLB)

PWLB borrowing is available for between 1 and 50 year maturities on various bases. This offers a range of options for new borrowing which could spread debt maturities away from a concentration in longer dated debt and allow the Council to align maturities to MRP.

In the March 2012 Budget the Chancellor announced the availability of a PWLB 'Certainty Rate' for local authorities which could be accessed upon the submission of data around annual borrowing plans for individual authorities. The Council submitted its return in April 2018. The Certainty Rate allows a local authority to borrow from the PWLB at 0.20% below their published rates.

The Government has also introduced a PWLB Infrastructure Rate to be borrowed at 0.40% below their published standard rates. There is a bidding process to access this rate and preference given to projects displaying high value for money. There are two bidding rounds each year, one runs from 1st May to 31st July 2018 and the second is from 1st January to 31st March 2019.

These reductions, alongside the flexibility the PWLB provides in terms of loan structures and maturity dates together with the current lack of availability of market debt options, suggest that should long term borrowing be required PWLB borrowing might provide the best value for money.
The Link forecast for the PWLB Certainty Rate is as follows:

Table 3	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Mar 21
Bank Rate	0.75%	1.00%	1.00%	1.00%	1.25%	1.50%
5 yr PWLB rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.60%
10 yr PWLB rate	2.50%	2.60%	2.60%	2.70%	2.80%	3.00%
25 yr PWLB rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.40%
50 yr PWLB rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.20%

A more detailed Link forecast is included in Appendix G to this report.

ii 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.

iii Third Party Loans

These are loans from third parties that are offered at lower than market rates, for example Salix Finance Ltd is offering loans to the public sector at 0% to be used specifically to improve their energy efficiency and reduce carbon emissions.

iv Housing Investment Funding and the Homes and Communities Agency

Both HIF and HCA are MHCLG funding and only used in specific circumstances, see paragraphs 9.12-16 for further details.

v Inter-Local Authority advances

Both short and medium term loans are often available in the inter Local Authority market.

vi Market Loans

There are usually various offers available from the general market including LOBOs or forward starting loans. The Council will give consideration to forward fixing debt, whereby it agrees to borrow at a point in the future at a rate based on current implied market interest rate forecasts.

vii 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.

Homes and Communities Agency Funding

9.13 The Homes and Communities Agency (HCA) has made £31.8m funding available to the City Council and this was received during the three years 2015/16 to 2017/18. The funding is, in effect, a 'loan' of the HCA's receipts from the disposal of its land and property within Greater Manchester (GM) as agreed in the GM City Deal. The funds can be used to invest in any project which supports GM City Deal objectives. Some of the funds are passed on to other GM authorities for projects within their areas.

9.14 The funding from the HCA is held as an interest free loan until an investment approval is made. At this point the approved element of the loan becomes risk-based with the return to the HCA based on the performance of that investment. The location of the project depends on where the receipts originate from and whether the receipt is due to the sale of residential or commercial property. Proceeds from commercial property are not borough-specific, whereas proceeds from residential property are.

9.15 The funds received are to be repaid to the HCA in March 2022. No interest will be charged to MCC for the receipt of the funds. Should an investment made not be recovered, the loss is deducted from the amount due to the HCA. Conversely, should any profit be made by an investment these will be added to the amount due to the HCA.

Housing Investment Funding (HIF)

9.16 The Council has arranged with the Homes and Communities Agency to receive housing investment funding on behalf of Greater Manchester. The funds are treated as a loan to the Council in a similar manner to HCA funds as detailed in paragraphs 9.12-14. These monies are then be invested in housing related projects with any losses met by Government (up to 20%) or by guarantee from the ten Greater Manchester Local Authorities (including Manchester). All the Housing Investment Fund schemes are approved by the GMCA and the Council's role is to act as a host for the financial arrangements.

9.17 Total HIF funding of £300m has been agreed with the MHCLG of which £197.7m has been received to date. The majority of HCA and HIF funds are expected to transfer to the GMCA in quarter 4 2018/19 following the Authority being granted the statutory borrowing powers required. The element of the investment which was already committed at the time of the transfer is being retained by the Council until the investment completes.

Sensitivity of the forecast

9.18 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

9.19 The current borrowing position reflects the historic strong Balance Sheet of the Council as highlighted in Section 5. The policy remains to keep cash as low as possible and minimise temporary investments.

9.20 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.

9.21 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.

9.22 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.

9.23 Against this background caution will be adopted within 2019/20 treasury operations. The City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

9.24 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.

9.25 This Council will not borrow in advance of need to on lend. 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

9.26 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 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

9.27 It is likely that opportunities to reschedule debt in the 2019/20 financial year will be limited particularly as the Council has no existing PWLB loans other than those expected to be taken in the last quarter of 2018/19.

9.28 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.

9.29 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.

9.30 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)

9.31 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 City Treasurer the authority to pursue any restructuring, rescheduling or redemption opportunities available.

9.32 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.

9.33 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 City Treasurer will be asked to approve them in accordance with her delegated powers and the changes will be reported to Members.

10. Annual Investment Strategy

General Fund

Introduction

10.1. 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.

10.2. The risk appetite of the Council is low in order to give priority to the security of its investments. The Council will also aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity.

10.3. The borrowing of monies by an Authority purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity. However the Council may provide loan finance funded from borrowing if this supports the achievement of the Council's strategies and service objectives.

10.4. The Icelandic banks crisis and the financial difficulties faced by UK and international banks that followed have placed security of investments at the forefront of Treasury Management investment policy. Similarly the move in the local authority sector to commercial investment had led to a reinforcement of these principles under the revised Prudential Code.

10.5 The Council's TMSS focusses solely on treasury management investments. CIPFA has revised the Prudential Code to strengthen disclosure requirements for investments which are commercial in nature, in that they are neither treasury or strategic capital 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.

Changes to Credit Rating Methodology

10.6. Through much of the financial crisis the main rating agencies provided some institutions with a ratings 'uplift' due to implied levels of government backing should an institution fail. In response to the evolving regulatory regime and the declining probability of government support the rating agencies are removing these 'uplifts'.

10.7. The changes do not reflect any changes in the underlying status of the institution or credit environment, merely the removal of the implied levels of sovereign support built into ratings during the financial crisis. The regulatory and economic environments now mean that financial institutions are much stronger and less prone to failure in a financial crisis.

10.8. The key change to the regulatory framework in respect of banks was introduction of the European Union's Banking Recovery and Resolution Directive (BRRD). In response to the banking crisis some governments used taxpayer funds to support banks. BRRD now requires 'bail-in' to be applied in such a scenario. In the UK this requires that after shareholders' equity, depositors' funds over c.£85k (linked to the Euro) will be used to support a bank at risk. The £85k threshold is not available to local authorities and all bank deposits are at risk of bail-in. This increases the risk to the Council of holding unsecured cash deposits with banks and building societies.

Investment Policy

10.9. As previously, the Council will not just utilise ratings as the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. 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.

10.10. Investment in banks and building societies are now exposed to bail-in risk as described above and lower operational limits for these investments were adopted in 2016/17. This is apart from the limit with Barclays bank; Barclays is the Council’s main banker and is the investment destination of last resort for the close of daily trading. These revised limits are operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2018/19 will be maintained in 2019/20.

10.11. The investment constraint brought by bail-in risk means the Council has sought to identify ways that it can broaden and diversify its basis for lending. During 2018/19 the Council decided to reduce its exposure by maintaining a lower level of bank deposits. This strategy saw a significant proportion of the Council’s investments placed with the Government (via the DMO) or with other Local Authorities.

10.12 From October 2018, in line with the 2018/19 TMS, the Council has started to deposit in Money Market Funds (MMFs) to further diversify the basis for lending, using four MMFs which meet the Council’s TMSS criteria. Although MMFs are not directly exposed to bail-in risk there could be a secondary exposure related to the extent that the individual Fund includes bank deposits within its portfolio of investments. Application of bail-in in this scenario would impact on the overall status of the Fund and it is likely that the Council would be able to withdraw from participation in the Fund in such a situation.

10.13 To December 2018 the majority of the investment portfolio was with the DMO and other Local Authorities. For liquidity purposes an average of £15m has been held in Bank Deposits and from October 2018 Money Market Funds deposits have averaged £20m. This highlights the relatively low credit risk that the Council takes when investing.

[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.

10.14. For 2019/20 investment the Council will continue to consider trading 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 paragraphs 10.32-36 below. Treasury Bills, Certificates of Deposit and Covered Bonds 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. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

10.15. 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.

HRA

10.16. In order to maintain efficient, effective and economic treasury management for the Council as a whole, the HRA will only be able to invest with the General Fund. This is discussed further in Appendix I.

Specified and Non-Specified Investments

10.17. 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.

10.18. 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*	See Para 10.9.	In-house
Term deposits – other Local Authorities	High security. Only one or two local authorities credit-rated	In-house
Debt Management Agency Deposit Facility	UK Government backed	In-house
Certificates of deposit issued by banks and building societies covered by UK Government guarantees	UK Government explicit guarantee	In-house
Money Market Funds (MMFs)	AAA_M	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

* Banks & Building Societies
The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 10.23. If this limit is breached, for example due to significant late receipts, the 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.

Creditworthiness policy

10.19. 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

10.20. 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. This classification is called durational banding.

10.21. 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 preponderance to just one agency's ratings.

10.22. 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[2] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

10.23. Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Investment Limits

[2] The Markit iTraxx Senior Financials Index is a composite of the 25 most liquid financial entities in Europe. The index is calculated through an averaging process by the Markit Group and is used as the benchmark level of CDS spreads on Capita Asset Services' Credit List.

10.24. 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.

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

In seeking to diversify he 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	£60 million
Certificates of Deposit	£25 million
Covered Bonds	£25 million

10.25. 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 City Treasurer and any increase in the limits will be reported to Members through the normal treasury management reporting process. Any HCA funds invested with other local authorities will form part of the £20m limit noted above.

Country Limits

10.26. The introduction of bail-in arrangements means that the Council's exposure to bank and building society deposits should be limited and these deposits will only form part of a diversified investment portfolio to help mitigate the risk.

10.27. Previously the Council's treasury management strategies included investment limits to specific countries, such as those rated AAA. The introduction of bail-in arrangements suggests that less reliance can be placed on sovereign support for individual institutions and the country limits have been removed. The focus of credit rating evaluations will be on the individual banks, building societies and organisations.

Money Market Funds

10.28. 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.

10.29. 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.

10.30. 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 based.

10.31. 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 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.

10.32. For international investments the Council requires that the countries concerned must possess AAA status if there is a direct investment in a sovereign state. This is not applicable to MMFs. Whilst MMFs invest outside the UK their investment risk is identified on the basis of the total Fund rather than the ratings of the individual components within it. Should a country (or institution) become a higher risk in a MMF portfolio the Fund's management will seek to realign the investment portfolio to maintain the MMF's overall credit rating.

Treasury Bills

10.33. 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.

10.34. 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.

10.35. 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

10.36. 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

10.37. 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

10.38. Based on cash flow forecasts, the level of cash balances in 2019/20 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

10.39 Link's view of forecast Bank Rate is noted at Section 8. The current economic outlook is that the structure of market interest rates and government debt yields have several key treasury management implications:

- The Bank of England has adopted a more aggressive tone in its provision of guidance to financial markets. The Bank has indicated there will be a need to gradually raise the Bank Rate to 1.5% over the next three years to keep inflation under control.

- Link's view is that Bank Rate will continue at its current rate of 0.75% until June 2019 when a rise to 1.00% is predicted. Thereafter rises to 1.25% in

March 2020, 1.50% in December 2020 and to 1.75% in June 2021 are forecast.

- Forecasting as far ahead as 2021 is difficult as there are many potential economic factors which could impact on the UK economy. There are also political developments in the UK, (especially over the terms of Brexit), EU, US and beyond which could have a major impact on forecasts;

- Investment returns are likely to remain relatively low during 2019/20 and beyond;

- Growth in the Eurozone after several years of depression following the financial crisis started to improve from 2016 and now has substantial strength. However the European Central Bank is struggling to achieve its 2% inflation target and therefore rates will possibly not start to rise until 2019.

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.

10.40. 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.

10.41. For 2019/20 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

10.42. At the end of the financial year, the Council will receive a report on investment activity as part of the Annual Treasury Report.

Policy on the use of External Service Providers

10.43. 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.

10.44. 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 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.

Appendix A

Treasury Limits and Prudential Indicators for approval

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2019-20		2020-21		2021-22
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,351.4	(1,672.7)	1,412.7	(1,684.5)	1,412.9
Other long term liabilities	170.0	(216.0)	170.0	(216.0)	170.0
TOTAL	1,521.4	(1,888.7)	1,582.7	(1,900.5)	1,582.9
Operational Boundary - external debt					
Borrowing	940.8	(1,381.4)	1,151.7	(1,435.0)	1,275.0
Other long term liabilities	170.0	(216.0)	170.0	(216.0)	170.0
TOTAL	1,110.8	(1,597.4)	1,321.7	(1,651.0)	1,445.0
Actual external debt	716.5	(1,192.0)	977.4	(1,259.6)	1,141.5
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Capital Expenditure					
Non - HRA	475.5	(455.5)	370.3	(160.1)	207.4
HRA	30.1	(41.9)	48.7	(44.3)	36.6
TOTAL	505.6	(497.4)	419.0	(204.4)	244.0
Capital Financing Requirement (as at 31 March)					
Non – HRA	1,331.9	(1,664.4)	1,477.1	(1,730.5)	1,611.1
HRA	298.1	(298.1)	299.2	(299.3)	300.0
TOTAL	1,630.0	(1,962.5)	1,776.3	(2,029.8)	1,911.1

Maturity structure of borrowing during 2019-20	Upper Limit		Lower limit	
under 12 months	80%	(70%)	0%	(0%)
12 months and within 24 months	70%	(100%)	0%	(0%)
24 months and within 5 years	50%	(80%)	0%	(0%)
5 years and within 10 years	50%	(70%)	0%	(0%)
10 years and above	80%	(80%)	40%	(0%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2019/20. They will also be included in the Council's Global Revenue Budget monitoring.

Definitions and Purpose of the Treasury Management Indicators noted above (Indicators are as recommended by the CIPFA Prudential Code last revised in 2017)

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario. Risk analysis and risk management strategies should be taken into account.

The Operational Boundary should equate to the maximum level of external debt projected by this estimate. Thus, the Operational Boundary links directly to the Authority's plans for capital expenditure; its estimates of capital financing requirement; and its estimate of cash flow requirements for the year for all purposes. The Operational Boundary is a key management tool for in-year monitoring.

It will probably not be significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation and action as appropriate. Thus, both the Operational Boundary and the Authorised Limit will be based on the authority's plans. The authority will need to assure itself that these plans are affordable and prudent. The Authorised Limit will in addition need to provide headroom over and above the Operational Boundary sufficient for example for unusual cash movements.

Actual external debt

After the year end, the closing balance for actual gross borrowing plus (separately), other long-term liabilities is obtained directly from the local authority's Balance Sheet.

The prudential indicator for Actual External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual debt during the year can be compared.

Upper limit for total principal sums invested for over 364 days

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

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.

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Appendix B

Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2019/20 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. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the Balance Sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the Balance Sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

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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.

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Appendix D

Treasury Management Scheme of Delegation

i **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny** - Resource and Governance Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **City Treasurer**

- delivery of the function

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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 January 2019 – Link Asset Services

GLOBAL OUTLOOK

World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets.

In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets.

It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak.

The potential for central banks to get this timing and strength of action wrong are now key risks. At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and was likely to cause a recession in the US economy.
The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK

The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit.

While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the labour market figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This 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. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA

President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.1% in November, however, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019.

The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China.

Eurozone

Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

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 credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

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. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging Countries

Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

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. In the event of an orderly non-agreement exit, 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 was 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. 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 neutral.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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 for ten years 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 monetary policy 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, possibly in Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by delaying the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen at a time when the government faces having to refinance large amounts of debt maturing in 2019.

- Weak capitalisation of some European banks. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.

- 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. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.

- Other minority Eurozone governments. Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.

- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.

- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

- Geopolitical risks, especially 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 both sides were to agree a compromise that removed all threats of economic and political disruption.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation 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.

Brexit timetable and process

- March 2017: UK government notified the European Council of its intention to leave under the Treaty on European Union Article 50 on 29 March 2019.
- 25.11.18 EU27 leaders endorsed the withdrawal agreement
- Dec 2018 vote in the UK Parliament on the agreement was postponed
- 21.12.18 – 8.1.19 UK parliamentary recess
- 14.1.19 vote in Parliament on a ‘no deal’ scenario
- By 29.3.19 second vote in UK parliament if first vote rejects the deal
- By 29.3.19 if the UK Parliament approves a deal, then ratification by the EU Parliament requires a simple majority
- By 29.3.19 if the UK and EU parliaments agree the deal, the EU Council needs to approve the deal; 20 countries representing 65% of the EU population must agree
- 29.3.19 UK leaves the EU, (or asks the EU for agreement to an extension of the Article 50 period if the UK Parliament rejects the deal and no deal departure?)
- 29.3.19: if an agreement is reached with the EU on the terms of Brexit, then this will be followed by a proposed transitional period ending around December 2020.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy may leave the single market and tariff free trade at different times during the transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.

- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.

  On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

Appendix G

Prospects for Interest Rates

The data below shows a variety of forecasts published by a number of institutions. They include those of Link and Capital Economics (an independent forecasting consultancy). The forecast within this strategy statement has been drawn from these diverse sources and officers' own views. Please Note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
Capital Economics	0.75%	1.00%	1.25%	1.50%	1.70%	1.75%	2.00%	2.00%					
5yr PWLB rate													
Link Asset Services	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
Capital Economics	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%					
10yr PWLB rate													
Link Asset Services	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%					
25yr PWLB rate													
Link Asset Services	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.96%	3.08%	3.33%	3.58%	3.53%	348.00%	3.43%	3.38%					
50yr PWLB rate													
Link Asset Services	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%					

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Appendix H

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate - the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Counterparty - one of the opposing parties involved in a borrowing or investment transaction.

Covered Bonds - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer's balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

Credit Rating - A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount - Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon - High/Low interest rate

LIBID (London Interbank Bid Rate) - This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) - This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) - This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market -The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee - the independent body that determines Bank Rate.

Money Market Funds - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium - Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to ‘have regard to‘ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government’s Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

Specified Investments - Sterling investments of not more then one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan.
A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

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Appendix I

Treasury Management Implications of HRA Reform

As discussed in Section 3 of the report, the reform of the HRA finance system has consequences for the treasury management of the Council. As part of the reform, the HRA's debt portfolio needs to be separately identifiable to that of the General Fund, and the HRA will hold some autonomy over the management of its debt portfolio. However, in order to ensure that the treasury management function of the Council remains effective and provides value for money, and given that the Section 151 officer for both the General Fund and the HRA is the Treasurer, the HRA's treasury portfolio must be run in the context of the overall Council portfolio.

This appendix seeks to explain how the debt portfolio of the Council has been split between the General Fund and the HRA, and how the HRA treasury position will be managed going forward.

The Portfolio Split

One of the principles behind the reform of HRA finance was to provide some level of treasury autonomy for the HRA, separating its debt from the Council's so that its treasury position could be managed separately. To achieve this, the debt portfolio was to be split at the point that the debt settlement was made.

On the 28 March 2012, the Council received c. £294m which was to be used to reduce the debt held by the Council. The table below shows the Council's treasury portfolio before and after the settlement:

	Pre reform		Post reform
	£'000		*£'000*
PWLB	199,966		0
Market	549,640		480,215
Stock	8,159		8,159
Gross Debt	**757,765**		**488,374**
Deposits	-17,954		-42,839
Net Debt	**739,811**		**445,535**

At this point, the debt was to be split according to the relative capital financing requirements (CFRs) of both the General Fund and the HRA. The cash remainder of the settlement could not be used to redeem further market debt so, to ensure that the HRA CFR fell by the full level of the settlement, a notional transaction took place. An amount of debt equivalent to the cash remainder was transferred from the HRA to the General Fund, alongside the cash. This had a neutral effect on the General Fund's net debt.

The table below shows the CFRs before and after the debt settlement, with the HRA CFR falling by the settlement:

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund	675,454		675,454	84.47%
HRA	418,463		124,187	15.53%
Total	**1,093,917**		**799,641**	**100.00%**
		Of which financed:	*488,374*	
		Of which unfinanced:	*311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA's treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***
- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***7-day LIBID***
- If the General Fund has temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***average portfolio temporary borrowing rate***
- If the General fund does not have temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***7-day LIBOR***

The market rates to be used (7-day LIBID and LIBOR) are the benchmark rates used by the Council for investments and temporary borrowing.

Future Reporting

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.

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