MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION

REPORT TO: City Council – 3rd March 2010
Executive – 10th February 2010
Resources and Governance Overview and Scrutiny Committee – 22nd February 2010

SUBJECT: Legal Background to Setting of Budget and Council Tax

REPORT OF: The Chief Executive and the City Solicitor

Summary

This report aims to assist all members of the Council in consideration of the complex legal background to their budgetary and Council Tax decisions and in particular to set out the legal factors and requirements which Members of the City Council need to consider in reaching decisions on the budget and Council Tax.

The Report is structured as follows:-

Parts 1 - 2 deal with the principles of Council Tax setting and the general legal duties of the City Council in decision-taking.

Parts 3 - 5 deal with calculating the budget requirement and "capping".

Part 6 deals with calculating the City Council element of the Council Tax.

Part 7 deals with setting the overall Council Tax

Part 8 deals with the respective roles of the Executive, the Overview and Scrutiny committee, and the Council.

Part 9 deals with restrictions on voting for members with Council tax arrears.

Recommendations

That the Executive, the Resources and Governance Overview and Scrutiny Committee and the City Council take this advice into account and follow its principles in reaching decisions in relation to the budget and Council Tax for 2010/11.

Wards affected: All

Implications for:

Equal Opportunities	**Risk Management**	**Legal Considerations**
Yes	Yes	Yes

Financial Consequences for the Revenue Budget

The calculation of the budget requirement effectively sets the revenue budget for 2010/11.

Financial Consequences for the Capital Budget

Capital expenditure can be financed out of the revenue budget, if Members so determine.

Contact Officers

Name: Susan Orrell
Position: City Solicitor
Telephone: 234 3087
E-mail: s.orrell@manchester.gov.uk

Name: Rodney Lund
Position: Assistant City Solicitor
Telephone: 234 4019
E-mail: r.lund@manchester.gov.uk

Background Documents (available for public inspection)

Report to City Treasurer and Executive Member for Finance and Human Resources and Decision of the City Treasurer on the Council Tax Base 2010/11 dated January 2010.

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

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

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

STAGE 1 -	The Council calculates is own budget requirement, i.e. its net revenue expenditure - this is the amount which is subject to capping by the Secretary of State.
STAGE 2 -	The Council then calculates the Manchester City Council element of the Council Tax for all bands based on a calculation for Band D - this will take account of the Council Tax base calculated at an earlier stage.
STAGE 3 -	Finally, the Council sets the Council Tax for the area, being the aggregate of the City Council element of the tax and the element of the tax calculated by the Police Authority and the Fire and Civil Defence Authority.

2. THE COUNCIL'S LEGAL DUTIES

2.1 In coming to decisions in relation to the revenue budget and the Council Tax the City Council - and Councillors - have various legal duties, namely:-

(a) The Council must act in accordance with its statutory duties and responsibilities.
(b) The Council must act reasonably.
(c) The Council must not act in breach of its fiduciary duty to its ratepayers and Council Tax payers.

2.2 Reasonableness

The Council must act in accordance with the principles set out in the case of Associated Provincial Picturehouses Limited -V- Wednesbury Corporation, that is, it must take into account relevant considerations, it must not have regard to irrelevant considerations, and it must not reach a decision which is unreasonable in the sense that it is so irrational or perverse that no reasonable authority could have reached it.

2.3 Fiduciary Duty

Fiduciary duty is hard to define. In Roberts -V- Hopwood (1925), it was said that a local authority charged with the administration for definite purposes of funds contributed in whole or in part by ratepayers owes a duty "to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those (ratepayers)" towards whom the authority "stands somewhat in the position of trustees or managers of the property of others". The same principle applies in relation to Council Tax payers.

Fiduciary duty will probably include the following considerations:-

(a) Prudent use of the Authority's resources, including the raising of income (such as rents and other charges) and the control of expenditure;

(b) Awareness of the financial consequences of any proposal of Council Tax payers and Ratepayers;

(c) Financial prudence both in the short and long term;

(d) Striking a fair balance between the interests of Council Tax payers and ratepayers on the one hand, and the community's interest in adequate and efficient services on the other hand;

(e) Acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community.

2.4 Statutory Duty

As part of the budget and the Council Tax fixing process, the Council is required by the Local Government Finance Act 1992 to make various specific calculations and decisions:-

(a) it must calculate its budget requirement in accordance with Section 32 of the Act:

(b) it must calculate the City Council element of the Council Tax - first for Band D and then for all bands - in accordance with Sections 33 to 36;

(c) it must set the overall Council Tax for each band in accordance with Section 30.

These requirements will now be analysed in greater detail.

3. STAGE 1 - THE COUNCIL'S BUDGET REQUIREMENT

3.1 Section 32 of the LGFA 1992 requires the Council to make three calculations, in effect -

(i) an estimate of the Council's gross revenue expenditure - Section 32(2);

(ii) an estimate of anticipated income - Section 32(3)

(iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 32(4).

3.2 More specifically, in its Section 32(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;

(e) 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 National Non-Domestic Rates (NNDR) in excess of allowance for non-collection).

3.3 The Section 32(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -

(a) estimated income from fees, charges and most specific grants (but excluding Revenue Support Grant (RSG) redistributed NNDR and additional grant for previous years)

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

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

3.4 Section 32(4) then requires the calculation under Section 32(3) to be subtracted from that under Section 32(2) to produce a calculation of estimated net expenditure known as the budget requirement.

3.5 These calculations must be made before 11th 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.

3.6 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.

3.7 In making the Section 32 calculations, the Council will need also to calculate the level of financial reserves which it proposes to leave in balances.

3.8 Schools budget related expenditure is no longer financed through RSG, NNDR and council tax, but rather through a ring-fenced Dedicated Schools Grant (DSG). Schools expenditure calculated under Section 32 (2)(a) will be offset by the DSG which will be included in the calculation under Section 32 (3)(a), thereby reducing both the amount of the budget requirement and the amount of RSG received.

4. THE LEVEL OF THE BUDGET REQUIREMENT

4.1 The level of the Section 32 calculations, and in particular the calculation of the budget requirement is of crucial importance both legally and financially. In particular -

- the amount of the budget requirement must be sufficient to meet the Council's budget commitments and thereby ensure a balanced budget.

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

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

- the amount of the budget requirement may determine whether or not the Council is designated for "capping".

4.2 Adequacy of Budget Requirement and Financial Reserves

As has been seen, Section 32 requires the Council to calculate its gross expenditure under 5 separate headings and its offsetting income under three headings. Beyond that, the Act offers no guidance as to the detail in which the estimates are to be formulated.

4.3 However, 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. This will include estimates and reserves used for the purpose of the Executive's recommendations to Council and for the purpose of any amendments to those recommendations. The Council has a statutory duty to have regard to the Chief Finance Officer's report when making decisions about the Section 32 calculations.

4.4 If the calculation of the budget requirement is insufficient to meet budget commitments, there are obvious practical as well as legal consequences for the Council. It is appropriate at this point to mention the duties imposed on the Council and the City Treasurer as Chief Finance Officer of the Authority.

4.5 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.

4.6 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.

4.7 The report must be sent to the Council's 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.

4.8 The Level of Section 32 Calculations

The next issue relates to the reasonableness of the level of expenditure calculated under Section 32. There were a series of cases in early 1980's where Plaintiffs sought to challenge the legality of the rate by arguing that a local authority was in breach of its fiduciary duty and acting unreasonably by overspending. Although such an argument succeeded in the case of R -V- GLC, ex parte, London Borough of Bromley, the Courts restricted the ambit of that decision in subsequent cases. Whilst the Courts have avoided saying that a high level of expenditure will never be unreasonable, it does now seem that expenditure levels will not be regarded as unreasonable provided that they can be justified, are not irrational and the Authority is taking into account all relevant considerations, including the fiduciary duty to those paying the tax (R -V- Waltham Forest LBC, ex parte Baxter).

4.9 In reaching decisions on expenditure levels Councillors must not fetter their discretion by treating as decisive a proposal or proposals in their election manifesto. Each decision must be reached anew in the light of all known factors, but members may properly take into account their election manifesto when deciding between lawful options.

5. **"CAPPING"**

5.1 Part II of the Local Government Act 1999 instituted a new and rather complicated regime in relation to "Capping" of expenditure. Nevertheless, the Secretary of State still retains wide reserve powers where in his/her opinion the amount calculated by an authority as its budget requirement is excessive.

5.2 The Secretary of State must first decide if the budget requirement is excessive. S/he will determine a set of principles which will be used to decide this and the principles must include a comparison with the budget requirement of previous years. Manchester’s budget requirement in 2009/10 was £474,925,505.

5.3 The Parliamentary Under Secretary of State, Communities and Local Government has indicated that the Government would expect to see Council tax increases in 2010/11 falling below the average 3% increase in 2009/10.

5.4 If the Secretary of State decides the budget requirement is excessive, s/he may designate the authority "in-year" (i.e. for that financial year), or s/he may exercise a range of alternative powers.

5.5 Where an authority is designated for capping "in-year", the legislation provides for the following procedure. The Secretary of State must notify the authority in writing that it has been designated, the principles applied and the amount which s/he proposes should be the maximum amount for the budget requirement. The authority then has 21 days to accept the maximum amount or to challenge it and put forward an alternative which will have to be considered by the Secretary of State. If s/he still considers that the authority should be capped "in-year", s/he may fix an amount which is the same, or greater or smaller than, that stated in the original notice. The authority will then be required to make substituted calculations to comply with the expenditure limitation. If the original council tax demands have already been prepared or sent out, the authority would have to prepare and send out revised demands - thereby delaying the receipt of council tax income and incurring additional interest charges. It would then have to make cuts in expenditure with immediate effect without any "breathing space" to mitigate their impact.

5.6 However, Part II of the 1999 Act gives the Secretary of State alternative powers:

* S/he may cap an authority for the following year, thereby avoiding the re-billing costs of "in-year" capping.

* S/he may cap an authority over a number of years, starting either in-year or the following year, and enabling expenditure to be reduced over longer periods.

* S/he may decide not to designate an authority but to set a notional (lower) budget requirement for the year under consideration which will be taken into account instead of the actual budget requirement for the purpose of any future comparisons with that year's budget.

6. STAGE 2 - CALCULATING CITY ELEMENT OF COUNCIL TAX

6.1 Having calculated its budget requirement, the Council is then required to calculate its own element of the Council Tax first for Band D (Section 33) and then for all 8 bands as a proportion of the Band D calculation (Section 36). The City element of the Council Tax has to finance that part of the budget requirement which cannot be financed by RSG and redistributed non-domestic rates, plus the Council's share of the deficit on the collection fund.

6.2 The Section 33 Calculation

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

$$\frac{R-P}{T}$$

where -
R is the budget requirement
P is the aggregate of RSG redistributed non-domestic rates and additional grant for previous years, reduced by the estimated collection fund deficit (or increased by any estimated surplus)
T is the Council Tax base.

6.3 Collection Fund Deficit/Surplus

Any deficit on the collection fund from preceding years has to be financed through the Council Tax. Conversely, a surplus on the collection fund operates to reduce the Council Tax. Such a deficit or surplus is shared "pro rata" with the precepting authorities. The required calculations had to be made on 15th January and the appropriate shares of the deficit or surplus notified to the precepting authorities.

6.4 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 etc 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 2010/11 to be 122,312 an increase from 121,127 in 2009/10.

6.5 The Section 36 Calculation

Having calculated the basic amount of Council Tax (i.e. the City element of the Band D tax) the Council is then required to convert it into a City 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.

6.6 The proportions for each band are as follows:-

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

6.7 The Council's demand on the Collection Fund

One further calculation to be made is of the amount to be transferred from the collection Fund to the General Fund during the year, i.e, the Council's demand on the Collection Fund. In effect, this amount will be that part of the budget requirement not financed by RSG and redistributed NDR, plus the Council's share of the Collection Fund deficit. Another way of putting this is the formula set out in Section 97(1) of the Local Government Finance Act 1988, namely -

B X T

Where -
B is the basic amount of Council Tax calculated under Section 33 (i.e the City element of Band D, and
T is the Council Tax base.

7. **STAGE 3 - SETTING THE COUNCIL TAX**

7.1 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 budget requirements, their own basic amounts and amounts for each band, the setting of the Council Tax is solely the responsibility of the City Council as billing authority.

7.2 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.

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

7.4 The Council Tax cannot be set before 1st 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.

7.5 The City 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.

7.6 A draft resolution for setting the Council Tax is attached at Appendix 1.

8. CONSTITUTIONAL ARRANGEMENTS

8.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the budget requirement and the City element of the 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.

8.2 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 8th February. That will not happen this year and any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resources and Governance Overview and 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 Overview and Scrutiny Committee.

9. RESTRICTIONS ON VOTING

9.1 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.

9.2 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 9.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

9.3 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.

10. RECOMMENDATIONS

10.1 The Executive, the Resources and Governance Overview and Scrutiny Committee and the City Council are asked to take this advice into account and to follow its principles in reaching decisions in relation to the budget and Council Tax for 2010/11.

Howard Bernstein
Chief Executive

Susan Orrell
City Solicitor

APPENDIX 1

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

RESOLVED

1. That the estimates prepared by the Executive at its meeting on 10th February 2010 be [approved/amended as follows ......]

2. That it be noted that the City Treasurer acting under delegated powers has determined the amount of [122,312] as the Council Tax base for Manchester for the year [2010/11] in accordance with Section 33(5) of the Local Government Finance Act 1992 and regulations 3 and 5 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended.

3. That the following amounts be now calculated by the Council for the year [2010/11] in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:-

(a)	£	being the aggregate of the amounts which the Council estimates for the items set out in the Section 32(2)(a) to (e) of the Act.
(b)	£	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act.
(c)	£	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 32(4) of the Act, as its budget requirement for the year.
(d)	£	being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non-domestic rates, revenue support grant or additional grant increased/reduced by the amount of the sums which the Council estimates will be transferred in the year to/from its general fund from/to its collection fund in accordance with the formula set out in Section 33(3) of the Local Government Act 1992, as amended.
(e)	£	being the amount at 3(c) above less the amount at 3(d) above, all divided by the amount at 2 above, calculated by the Council in accordance with Section 33(1) of the Act, as the basic amount of its Council tax for the year.

(f) Valuation Bands

A	B	C	D	E	F	G	H
£							

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

4. That it be noted that the following amount to be transferred by the Council for year [2010/11] from its collection fund to its general fund in accordance with Section 97(1) of the Local Government Finance Act 1988:-

£ being the amount given by multiplying the amount at 3(e) above by the amount at 2 above.

5. That it be noted that for the year [2010/11] the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting authority	Valuation bands							
	A	B	C	D	E	F	G	H
GM Police Authority	£							
GM Fire and Civil Defence Authority	£							

6. That, having calculated the aggregate in each case of the amounts at 3(f) and 5 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the following amounts as the amounts of Council Tax for the year [2010/11] for each of the categories of dwellings shown below.

Valuation bands

A: B: C: D: E: F: G: H:

Manchester City Council
Report for Resolution

Report To: Executive - 10 February 2010
Resources and Governance Overview and Scrutiny Committee – 22 February 2010

Subject: Medium Term Financial Plan 2010/11 to 2012/13 and Revenue Budget 2010/11, Three Year Capital Programme 2010/11 to 2012/13 (Including Capital Strategy), and Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2010/11

Report of: The City Treasurer and Chief Executive

Summary
The report presents for members approval:

- The Medium Term Financial Plan for the 3 years 2010/11 to 2012/13
- The Revenue budget for 2010/11
- The three year Capital Programme 2010/11 to 2012/13 (including the Capital Strategy)
- The Treasury Management Strategy Report.

Members are asked to note that as the above documents are all inter linked and based on the same underlying assumptions, any amendments to, or non acceptance of, key recommendations on one report may impact on the others.

Scrutiny members should note that Annex 1 to the attached report has been updated since the report was presented to the Executive. Details of the changes are shown in paragraph 5 of this report.

Recommendations

To approve the following recommendations:

Annex 1 - Medium Term Financial Plan 2010/11 to 2012/13 and Revenue Budget 2010/11

1. Approve the three year Medium Term Financial Plan as attached, and specifically:

a. Approve the proposed budget for 2010/11 as final and the budgets for 2011/12 and 2012/13 as indicative subject to regular review as part of future business planning processes and in the light of any future Government announcements on the level of future funding for Local Government.

b. Note the City Treasurer's view on the robustness of the estimates and the adequacy of reserves.

c. Note the results of the final RSG settlement for Manchester for 2010/11, and the current planning assumption for 2011/12 and 2012/13.

d. Note the outcome of the budget consultation process (summary of responses shown in appendix F – (this has been updated to include additional detail on responses received as requested by Executive on 10 February).

e. Approve that an additional fund to support the delivery of the climate change agenda is established as an earmarked reserve with its use delegated to the City Treasurer and the Executive member for Finance and Human Resources in consultation with the Strategic Director Neighborhood Services and lead Executive Member for Neighborhood Services.

f. Approve the establishment of the Productivity Fund as an earmarked reserve, using the balance from the SIF and LABGI reserves, with its use delegated to the City Treasurer and Executive Member for Finance and Human Resources in consultation with the relevant Strategic Director and Executive Member.

g. Give specific approval to :
   i. The contingency sum of £7.659m in 2010/11, with indicative sums of £9.179m in 2011/12 and £12.579m in 2012/13 (paragraph 4.10 and 4.11)
   ii. Departmental Cash Limit Budgets totaling £416.767m for 2010/11 and indicative departmental budgets of £414.054m and £416.467m for 2011/12 and 2012/13 (as detailed in Appendix A of this report)
   iii. Corporate Budget requirements to cover the cost of levies and Capital Financing Costs of £98.005m for 2010/11 with indicative sums of £106.644m in 2011/12 and £110.367m for 2012/13 (as detailed in table at paragraphs 4.6 and 4.12 of this report (subject to final notification of Levies from other bodies)
   iv. Approve the proposed utilisation in 2010/11 of £1.853m (as per paragraph 3.21) of the surplus from the On Street Parking and Bus Lane Enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority.
   v. Note the position on reserves as identified in the report and in Appendix E subject to the final call on reserves after any changes are required to account for final levies etc.
   vi. Approve delegated authority to the City Treasurer to amend departmental cash limit budgets to take account of savings arising from corporate procurement activity and housekeeping savings before 1 April 2010 and throughout 2010/11 and the allocation from savings made to meet unavoidable inflation increases as agreed by the City Treasurer.

2. 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 the report from the City Solicitor elsewhere on the agenda and taking into account the decisions of Executive and any final changes to account for final announcements on levies and other small technical adjustments.

3. Approve the Prudential Indicators for 2010/11 to 2012/13 as presented in Appendix D subject to any final adjustments that may be made arising from recommendations above.

4. Approval of the Medium Term Financial Plan for the next three years as outlined in the report and the indicative budget figures included in the recommendations above is subject to the need to reassess budgets for 2011/12 and 2012/13 on an annual basis as part of a three year rolling budget programme to take account of potential changes to needs and / or resources.

Annex 2 - Three Year Capital Programme 2010/11 to 2012/13 (including Capital Strategy)

1. Note that the capital strategy has been updated and to agree the amended version as presented in Appendix B

2. Note that the latest estimate of capital outturn for 2009/10 is £360,907,000 as detailed in the capital monitoring report elsewhere on this agenda.

3. Note the capital programme report as presented will require further prudential borrowing £75,949,000 (Housing £28,960,000, Non Housing £46,989,000) over the three year period and that provision is being made in the revenue budget for the associated financing costs. (Note this includes £13,260,000 for new homes and that the associated financing costs will be funded by additional rental income from the additional dwellings created.)

4. Recommend to the City Council for approval the one year capital programme 2010/11 and forward commitments as presented in Appendix A.

5. To note that a comprehensive review of the capital strategy and the capital programme will be conducted and any recommendations will be reported back to Executive later in 2010.

6. Delegate authority to;

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

b) The Head of Engineering to implement these schemes in accordance with the capital Gateway 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 £30,000,000 in 2010/11 and then £10,000,000 per year thereafter.

d) The City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend when necessary from 2011/12 and 2012/13 subject to resource availability.

e) The City Treasurer in consultation with Executive Member for Finance and Human Resources to agree and approve where appropriate the following:

   i. The programme of schemes for the delivery of the corporate asset management programme
   ii. Financial management decisions relating to temporary unsupported borrowing and the investment of surplus resources

f) The City Treasurer, in consultation with the Chief Executive and the Executive Member for Finance and Human Resources to increase the capital budget by up to £500,000 in 2010/11 subject to 100% external funding being available for additional preliminary works relating to land remediation around Sportcity.

g) The City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the one year capital programme 2010/11 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

Annex 3 - Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2010/11

1. To approve the proposed Treasury Management Strategy Statement including:

- The Treasury Indicators listed in Appendix A of Annex 3 to this report.
- The MRP Strategy outlined in Appendix B of Annex 3 to this report.
- The revised Treasury Management Policy Statement at Appendix C of Annex 3 to this report

- The revised Treasury Management Code of Practice at Appendix D of Annex 3 to this report
- The Borrowing Requirements listed in section 4 of Annex 3 to this report
- The Borrowing Strategy outlined in section 6 of Annex 3 to this report
- The Annual Investment Strategy detailed in section 7 of Annex 3 to this report

Resolution covering both Revenue and Capital reports:

1. Both the Revenue and Capital budget reports include the use of Grant resources. At this stage an assumption has had to be made on the split of some of these resources between Revenue and Capital and members are asked to approve that delegated authority be given to the City Treasurer in consultation with the Chief Executive and the Executive Member for Finance and Human Resources to amend this split in the light of changing requirements.

2. The Executive are asked to recommend to Council that years 2 and 3 are agreed as indicative only and likely to be subject to future review, possibly in advance of the normal annual budget cycle

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Wards Affected: The report affects all wards

Community Strategy Spine	**Summary of the contribution to the strategy**
Performance of the economy of the region and sub region	The report presents for members the proposed revenue and capital budgets for the Council which contribute to all the strategy spines.
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

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

- Equal Opportunities Policy
- Risk Management

- Legal Considerations

Financial Consequences – Revenue and Capital

This report seeks approval to a Medium Term Financial Plan for 2009/10 to 2011/12 and a draft revenue budget for the Council for 2009/10. It also seeks approval to a revised capital strategy, a three year capital programme for 2009/10 to 2011/12 and a Treasury Management Strategy. 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 the following two years.

Contact Officers:

Name: Richard Paver
Position: City Treasurer
Telephone: 234 3564
E-mail: r.paver@manchester.gov.uk

Name: Sir Howard Bernstein
Position: Chief Executive
Telephone: 234 3201
E-mail: h.bernstein@manchester.gov.uk

Name: Carol Culley
Position: Head of Financial Management
Telephone: 234 3509
E-mail: c.culley@manchester.gov.uk

Name: Stephen Carey
Position: Head of Finance Group
Telephone: 234 3448
E-mail: s.carey@manchester.gov.uk

Name: Dave Channon
Position: Capital Accountant
Telephone: 234 3292
E-mail: d.channon@manchester.gov.uk

Name: Samantha McArdle
Position: Treasury Manager
Telephone: 234 3459
E-mail: s.mcardle@manchester.gov.uk

Background documents (available for public inspection):

RSG Revenue Settlement Papers
Budget Consultation Document
Budget Consultation Responses
Reports by Sector Treasury Services (Treasury Advisors)
Accounting and Financial records held in room 102.

Covering Report

1. The Local Government Act 2003 introduced the Prudential Borrowing framework which for 2004/5 onwards replaced the previous controls on an authority's borrowing. The new system relies on establishing local values for a number of nationally prescribed indicators which can be used to identify whether an authority is acting "prudently" and that its capital spending proposals are affordable in the long term within the resources available to the authority. These indicators need to be approved by members as part of the budget setting process.

2. In support of the principal of prudent decision making, the Act also requires the Chief Financial Officer to report on his assessment of the "robustness" of the proposed estimates and the adequacy of the level of general reserves that will be held by the authority. To support this the act requires details of specific reserves held by the authority to be reported, including the size of the reserve, what the reserve is held for, who can authorise the use of the reserve and what plans there are for movements in to and out of these reserves.

3. The introduction of the prudential framework in 2004/5 means that the Revenue and Capital Budgets and the Council's Treasury Management Strategy are now more closely linked than previously through the prudential indicators and as such have to be considered together. In addition, in order to aid future forward planning and comply with best practice, it is necessary to agree a Medium Term Revenue Plan and a Capital Strategy which provide a framework for future planning. The Government in 2008 introduced three year financial settlements for Councils (the first three year settlement being for the years 2008/9 to 2010/11).

4. Whilst the Executive are asked to approve the Medium Term Financial Plan, Capital Strategy and three year Capital Programme, and the Treasury Management Strategy as presented in the attached Annexes, it should be noted that there exists a great deal of uncertainty surrounding the likely level of Government resources that will be made available to the Council after 2010/11 (the last year of the current three year settlement). As a consequence, the proposals for 2011/12 and 2012/13 are based on what the City Treasurer considers a reasonable basis but still need to be treated with some caution. Once we have revived firmer indications on likely resources it will be necessary to reassess the plans for these latter 2 years and further reports during 2010/11 are likely to be required. The Executive are therefore asked to recommend to Council that years 2 and 3 are agreed as indicative only and likely to be subject to future review, possibly in advance of the normal annual budget cycle.

5. After the report to Executive was issued it was found that the table in Paragraph 2.5 relating to inflation rates contained a typing error. Executive were made aware of this at the meeting and the table has now been corrected. Subsequent to Executive it has been found that the assumptions in the report on the balance and planned use of the collection fund surplus were incorrectly shown. This has now been corrected. As a consequence, a number of figures within the report have been affected, as well as the balances shown on the reserves schedule for both the Collection Fund and the General Fund Reserve. The net impact has been to reduce the call on the General Fund by £657,000. Members at Executive

asked if more detail could be provided on the results of the public consultation process. Appendix F to Annex 1 has been updated to accommodate this request.

6. The Annexes and appendices to the report are presented in the following order:

- **Annex 1** – Medium Term Financial Plan 2010/11 to 2012/13 and Revenue Budget 2010/11

  Appendices to Annex 1:

  A. Proposed Business Plan Cash Limits
  B. List of Service Efficiency Savings
  C. List of Proposed Additional Investment
  D. List of Prudential Indicator's
  E. List of specific reserves
  F. Feedback from Budget Consultation exercise

- **Annex 2** – Three Year Capital Programme 2010/11 to 2012/13 (including Capital Strategy)

  Appendices to Annex 2:

  A Detailed Three Year Capital Programme
  B Capital Strategy

- **Annex 3** - Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2010/11

  Appendices to Annex 3:

  A List of Prudential and Treasury Indicators for approval
  B MRP Strategy
  C Treasury Management Policy Statement
  D Adoption of Revised CIPFA Treasury Management Code of Practice 2009
  E Treasury management scheme of delegation
  F The treasury management role of the section 151 officer
  G Economic Background
  H Prospects for Interest Rates
  I Glossary of Terms

7. Each annex contains a list of detailed recommendations which are listed at the front of this covering report however members need to bear in mind that any amendments to, or non acceptance of, key recommendations on one report may impact on the others.

ANNEX 1

Medium Term Financial Plan 2010/11 to 2012/13 And Revenue Budget 2010/11

Purpose of Report

To seek members approval to the Medium Term Financial Plan for 2010/11 to 2012/13 including the approved revenue budget for 2010/11 and indicative revenue budgets for 2011/12 and 2012/13. To inform members of the responses received to the budget consultation process, and to report for approval of members the Prudential Indicators for 2010/11 to 2012/13.

Recommendations

The Executive is recommended to:

1. Approve the three year Medium Term Financial Plan as attached, and specifically:

a. Approve the proposed budget for 2010/11 as final and the budgets for 2011/12 and 2012/13 as indicative subject to regular review as part of future business planning processes and in the light of any future Government announcements on the level of future funding for Local Government.
b. Note the City Treasurer's view on the robustness of the estimates and the adequacy of reserves.
c. Note the results of the final RSG settlement for Manchester for 2010/11, and the current planning assumption for 2011/12 and 2012/13
d. Note the outcome of the budget consultation process (summary of responses shown in appendix F – (this has been updated to include additional detail on responses received as requested by Executive on 10 February).
e. Approve that an additional fund to support the delivery of the climate change agenda is established as an earmarked reserve with its use delegated to the City Treasurer and the Executive member for Finance and Human Resources in consultation with the Strategic Director Neighborhood Services and lead Executive Member for Neighborhood Services.
f. Approve the establishment of the Productivity Fund as an earmarked reserve, using the balance from the SIF and LABGI reserves, with its use delegated to the City Treasurer and Executive Member for Finance and Human Resources in consultation with the relevant Strategic Director and Executive Member.
g. Give specific approval to :
   i. The contingency sum of £7.659m in 2010/11, with indicative sums of £9.179m in 2011/12 and £12.579m in 2012/13 (paragraph 4.10 and 4.11)
   ii. Departmental Cash Limit Budgets totaling £416.767m for 2010/11 and indicative departmental budgets of £414.054m and £416.467m for 2011/12 and 2012/13 (as detailed in Appendix A of this report)

iii. Corporate Budget requirements to cover the cost of levies and Capital Financing Costs of £98.005m for 2010/11 with indicative sums of £106.644m in 2011/12 and £110.367m for 2012/13 (as detailed in table at paragraphs 4.6 and 4.12 of this report (subject to final notification of Levies from other bodies)

iv. Approve the proposed utilisation in 2010/11 of £1.853m (as per paragraph 3.21) of the surplus from the On Street Parking and Bus Lane Enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority.

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

vi. Approve delegated authority to the City Treasurer to amend departmental cash limit budgets to take account of savings arising from corporate procurement activity and housekeeping savings before 1 April 2010 and throughout 2010/11 and the allocation from savings made to meet unavoidable inflation increases as agreed by the City Treasurer.

2. 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 the report from the City Solicitor elsewhere on the agenda and taking into account the decisions of Executive and any final changes to account for final announcements on levies and other small technical adjustments.

3. Approve the Prudential Indicators for 2010/11 to 2012/13 as presented in Appendix D subject to any final adjustments that may be made arising from recommendations above.

4. Approval of the Medium Term Financial Plan for the next three years as outlined in the report and the indicative budget figures included in the recommendations above is subject to the need to reassess budgets for 2011/12 and 2012/13 on an annual basis as part of a three year rolling budget programme to take account of potential changes to needs and / or resources.

MANCHESTER CITY COUNCIL

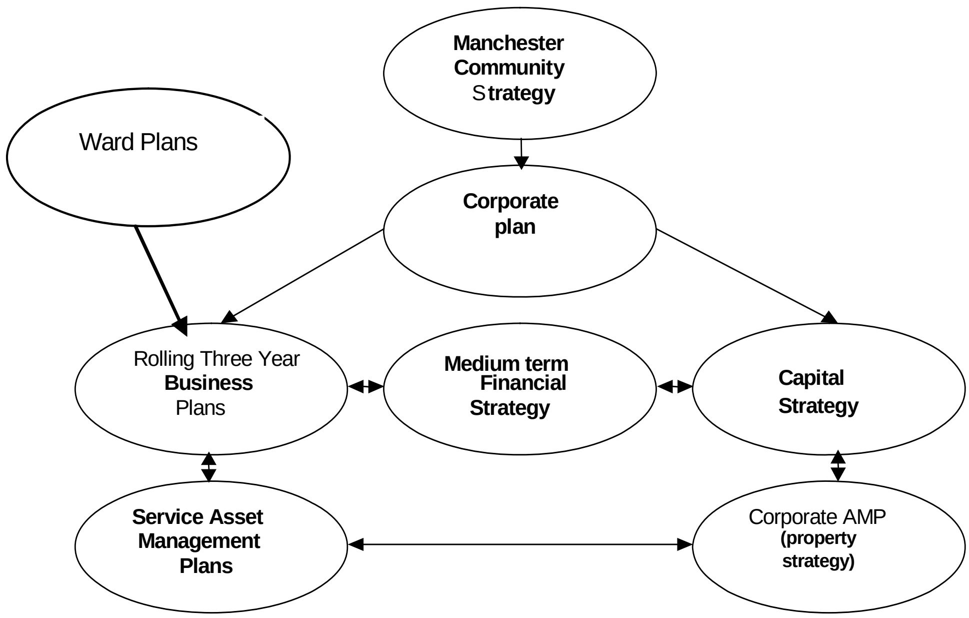
Medium Term Financial Plan 2010/11 to 2012/13

1. Introduction

1.1 Manchester is an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for our residents and delivering our vision of making Manchester a world class city.

1.2 The Medium Term Financial Plan (MTFP) shows how the revenue resources of the council are prioritised to support the strategic objectives of the Manchester Community Strategy and the corporate objectives of the City Council. The plan is supported by rolling three year Business Plans and is closely linked to the Capital Strategy and Budget. This document updates the previous version of the Medium Term Financial Plan approved last year.

The process can be illustrated in the following way:



The Community Strategy

1.3 The Manchester Partnership (Manchester's Local Strategic Partnership) is actively tackling the issues that residents say affect their lives. In doing so, the Partnership is delivering Manchester's Community Strategy and the vision for a world class city by 2015, when Manchester people will live longer, be wealthier and happier.

1.4 The vision will be delivered through the three spines (arrows) illustrated in the diagram above. The spines connect the economic success of the city to improved quality of life for its residents.

1.5 These priorities are reflected in the new Local Area Agreement for Manchester, and the City Council's Corporate Plan.

The Corporate Plan

1.6 The Council's Corporate Plan sets out the priorities for Manchester City Council for the period 2007 – 2010. It gives a summary of the actions the Council in taking to improve services to residents, and in doing so, deliver the Community Strategy and the Local Area Agreement. The Corporate Plan Contains 10 Strategy Priorities for the Council:-

Priority 1: Promoting economic development
Priority 2: Reaching full potential in education and employment
Priority 3: Promoting individual and collective self-esteem – mutual respect
Priority 4: Creating Neighbourhoods of Choice
Priority 5: Improving Council and community leadership
Priority 6: Delivering the Manchester Improvement Programme
Priority 7: Continuously improving the value for money of our services
Priority 8: Developing our workforce to deliver high-quality services
Priority 9: Ensuring customer and neighbourhood focus, and equality of opportunity in employment and service provision
Priority 10: Managing our performance and risks to ensure we deliver our objectives

The Medium Term Financial Strategy

1.7 Our vision of Manchester as a world class city; the inseparable dual aims of sustaining economic growth and translating that growth into better lives for Manchester residents remains unchanged, but now the ambition for the

Council as an organisation, must be to find evermore creative ways of giving Manchester people value for money in the resources we use.

1.8 Recent changes in the global economy mean that the next three years will be some of the most challenging we have ever faced as an organisation and we must meet these challenges by transforming the Council and the outcome will be an organisation with the capacity to deliver better outcomes for Manchester at lower cost – better for less. This platform for meeting future challenges has been provided by the Council's approach to resourcing and service delivery which has seen the delivery of significant efficiencies delivered over the last few years.

1.9 On the basis of these new opportunities an additional set of Policy and Financial Objectives have been developed as part the Medium Term Financial Strategy for 2010/11 to 2012/13, which were approved by the Executive in December 2009. The objectives provide additional focus on key priority areas, within the overall context of our established Community Strategy and Corporate Plan. They are as follows:

Policy Objectives;

- To deliver on the 'spines' of the Community Strategy. Within the spines, there are specific priorities of the Greater Manchester Strategy relating to:

  - Worklessness and Skills
  - 0-5 years
  - Neighbourhood Focus
  - Environmental Strategy

  The aim is to provide excellent public services whilst creating the conditions for economic growth, improved skills and productivity and less deprivation and dependency.

- To work with services within and beyond the Council. The ambitions set out above have as much relevance to our partners as it has to the Council and we will need to work across organisational boundaries to respond to the increased financial pressures that we face.

- To work within the corporate improvement framework
  - People Strategy
  - AIM – Analyse to Improve Manchester Strategy
  - Customer Strategy
  - Neighbourhood Focus
  - ICT and Information Strategies

1.10 We now have a framework of corporate strategies, backed-up by the Directorate of Transformation (DoT) team, to support transformational change as well as continuous improvement. The whole Council will use this framework to increase the pace of improvement.

1.11 We are rising to meet the opportunities of the next period by understanding in more depth the drivers of our cost and performance. The Analyse and Improve Manchester (AIM) programme has benchmarked staffing ratios and costs across the whole organisation and this provides the basis for radical reductions in cost whilst improving performance over the next three years through the AIM Transformation Programme. The clear goal has to be best value for money.

1.12 The AIM programme will ensure that we become radically more efficient at meeting existing levels of demand for public services. There are a set of key design principles underpinning the organisation's approach to transformation:

- that we will be a commissioning based organisation
- a greater focus on people management and skills development
- all transformation activities should support the Customer, Neighbourhood and ICT strategies
- that service transformation should challenge the levels of dependency on City Council services
- no reduction in frontline services – our motto should be "putting customer services first without putting efficiency last"
- that we will be a customer-focused organisation:

1.13 At the same time we will target and develop public sector reforms which will reduce the drivers of demand in dependency and deprivation and provide more skills and economic productivity. Work over the past year has resulted in the agreement of the Greater Manchester Strategy and the Manchester City Region agreement with Government which proposes devolved powers in skills and transport. The agreement also contains proposals to pilot far reaching reforms of public services from 2010/11 onwards. The City Region Pilot projects will be key. We will apply cost benefit analysis to the evaluation and scaling up reforms so that, over time, we build up a much stronger understanding of the rate of return for spending, including which agencies can benefit financially and over what timescales from investment to reduce demand. This will provide a stronger evidential base for safe decommissioning of services, sharing of risk and the development of risk management strategies.

The Purpose of the Medium Term Financial Plan

1.14 The vision of the Community Strategy, the targets and priorities outlined in the Local Area Agreement, and the objectives of the Council's Corporate Plan present an ambitious agenda for the City. It is therefore critical to ensure that the Council has in place sufficient capacity for delivery, and resources which are appropriately aligned to priorities. It is particularly important as we move forward in to a period of potentially significant financial restraint to deliver the transformation set out above.

1.15 The Medium Term Financial Strategy for 2010/11 to 2012/13 outlines in broad policy terms how the Council intends to invest its financial resources in the coming years, in order to deliver its priorities for service improvement and a better quality of life for Manchester residents. This was approved by the Executive in November. This Medium Term Financial Plan (MTFP) builds on this approved strategy and identifies in more details how the resources estimated to be available to the Council will be allocated to achieve its objectives. In essence the MTFP starts to put costs against the objectives stated in the Strategy.

External Funding Strategy

1.16 External Funding is generally subject to approval through the Business Planning process and (in the case of partnership ABG funding) through the arrangements in place with the Manchester Partnership. The Medium Term Financial Plan (MTFP) as presented takes account of known external funding. If during the period covered by the MTFP any additional external funding becomes available, or if Heads of Service wish to bid for additional external funding, then details of the proposal will have to be presented to the Revenue Gateway Group through the Revenue Gateway Process for assessment to ensure the proposal is a good strategic fit to the Council's objectives and that it represents value for money for the Council.

2. <u>Background to formulation of the Medium Term Financial Plan</u>

2.1 The budgets put forward within the Medium Term Financial Plan as presented have been formulated as an integral part of the established Business Planning process whereby each Head of Service has produced a detailed three year business plan. The proposed MTFP represents a "rolling forward" of the current 2009/10 to 2011/12 MTFP approved in February 2009 by a year.

2.2 Changes to this year's business planning process have reflected the need for greater scrutiny and challenge of service priorities and resources, in the light of more difficult economic conditions. The revised business planning process for 2009 has improved the way the council considers the entirety of its expenditure, rather than simply growth and reduction at the margins. It has also taken a challenging corporate approach to the way our workforce and property is deployed.

2.3 We have done this by starting the business planning process earlier, producing options papers and self assessments for all services, running support and challenge sessions for each Directorate, running workshops on worklessness and skills, neighbourhood focus and 0-5s, and by running joint events for SMT and Heads of Service to promote discussion across services.

2.4 These business plans have been developed against a set of cash limit targets set centrally which take as a starting point the 2010/11 and 2011/12 indicative budgets agreed as part of last years business planning and budgeting cycle including any growth to agreed for these years in the MTFP approved last year and the assumption that any efficiency savings identified last year are still achievable.

2.5 In recognition, however, that the economic outlook for 2010/11 and 2011/12 had changed significantly since the current MTFP was approved due to the credit crunch and subsequent economic downturn, the original assumptions on inflation have been revised downwards. A relatively low level of inflation has been assumed for 2012/13. The cash limit targets issued for business planning purposes have therefore had the following inflation assumptions applied.

	2010/11 %	2011/12 %	2012/13 %
Pay	0	1	1
Non Pay /Income	0	0	2

2.6 In formulating their revised business plans Heads of Service were asked to work within the cash limit targets set and to reassess whether the budget pressures and savings included within their targets were still realistic and achievable. Where pressures had grown or where savings previously put forward were now thought to be unachievable, Heads of Service were tasked with identifying further savings to stay within the targets set.

3. Estimate Resources available 2010/11 to 2012/13

Government Resources 2010/11 to 2012/13

General Grant (RSG and NNDR)

3.1 The settlement for 2008/9 was the first three year settlement issued by the Government and although the amounts included within the settlement for 2009/10 and 2010/11 were still indicative it was made clear at the time of the settlement announcement that the Government intended not to make changes to these figures.

3.2 When the final settlement for 2010/11 was announced on 21 January, it confirmed that our grant for 2010/11 would remain as previously published i.e. £342,438,000

3.3 No information has yet been issued on the likely level of grant resources beyond 2010/11 and in the absence of a further Spending Review (the proposed Spending Review scheduled for Autumn 2009 was cancelled). What is known is that the level of Government Borrowing after the bail out of the banking system and the Bank of England's "quantative easing" has left any future Government with little option but to seek ways to reduce current borrowing levels. This is likely to be through either a severe reduction in Government spend or the raising of additional taxes (probably both). All major parties have already indicated that Local Government settlements going forward will be significantly tighter than in recent years.

3.4 Manchester's current levels of grant has, over the three years of the current spending review, been held back due to a number of factors including:

- The over estimation within the settlement formulae of Manchester's tax base
- The underestimation within the settlement formulae of the growth in Manchester's population
- The impact of the grant damping mechanism

3.5 Assuming that these issues are addressed within the next round of settlements, Manchester should see its share of the national settlement "pot" increase.

3.6 Despite this, the City Treasurer feels that due to the underlying need to reduce Government spend it would be imprudent to assume an actual increase in the grant we receive. The assumption therefore is that we will receive the same level of grant RSG in the next three years as we will receive in 2010/11 (i.e. a cash standstill).

Discretionary Funding

3.7 Manchester receives a significant level of discretionary grants, including Area Based Grant of almost £59m in 2009/10. Of this, around £27m is built into departmental cash limit targets as it supports mainstream activity and around £32m, which includes £31m of Working Neighbourhoods Funding (WNF) grant is allocated to activities through the Manchester Partnership. It has been indicated that there is likely to be a significant reduction in the level of grant funding over the next three years and the Medium Term Financial Plan is based on the assumption that grants will reduce significantly. Manchester, being a major beneficiary of Working Neighbourhoods Fund, could be hit by reductions in this grant harder than most authorities.

3.8 In order to plan ahead for the potential reduction a thorough review of key funding streams including Area Based Grant programme and Housing Market Renewal Funding is currently being carried out. This is looking at what activities are being funded, and what are the implications of reduced funding in future years. This review is being done with Departments, so that we identify what priorities are being funded through the grant, and this can feed into the future years business planning process.

3.9 It is considered prudent to assume that there will be a significant reduction in the level of grant funding available to the authority over the next three years and to prepare for it accordingly.

Housing Market Renewal Grant

3.10 The City Council accesses Housing Market Renewal (HMR) funding via the Manchester Salford Pathfinder. The Pathfinder was allocated £140m of HMR for financial years 2008/09 - 2010/11. £42m has recently been confirmed as Manchester Salford's HMR allocation for 2010/11. Whilst predominantly a capital grant that is used to assemble sites for new housing development, improve retained stock and undertake public realm and environmental improvements in targeted neighbourhoods, HMR does also support a limited amount of revenue expenditure. In recent years revenue activity has focused on funding the Private Rented Sector and Anti Social Behaviour / Mediation Teams within the Housing Department. HMR Grant rules also allow that staff costs relating to the delivery and management of the HMR capital works can be capitalised and funded through the grant. There is no guarantee that the HMR programme will continue beyond 2010/11 and any decisions on its future will be part of future funding arrangements for the Homes and Communities Agency who manage key housing programmes on behalf of the Department of Communities and Local Government. It is likely that future funding for activities currently funded through HMR grant will reduce and be part of a wider pot for housing and renewal type activity, potentially allocated and managed at the Greater Manchester level. As a result some of the currently funded activity will need to be picked up on revenue. Provision has been made in the budgets identified later in this report for additional mainstream support to cover some of the on-going activity currently funded through the HMR.

Dedicated Schools Grant

3.11 The Dedicated Schools Grant (DSG), introduced in 2006/07, pays for much of the costs of schools and pupil based education services. The grant received in 2009/10 was £282.422m. Based on the October 2009 pupil and school census data, adjusted for anticipated January intake, it is estimated that the DSG will total £280.440m in 2010/11. The reason for the reduction in grant between 2009/10 and 2010/11 is the change in funding arrangements for the Academies, which are funded directly from the Department of Children, Schools and Families rather than by the Authority from the DSG.

3.12 School budgets for 2010/11 will be finalised in March 2010 following the confirmation of the January 2010 census data. The final DSG grant payable to the Authority will not be confirmed by the Department for Children, Schools and Families (DCSF) until May/June 2010 when the January 2010 census data has been cleansed nationally and pupil duplication removed. Any variation between the currently estimated DSG and the final DSG grant received will be managed within the services funded through DSG and will not impact on the General Fund.

Other major grants:

3.13 In addition to the above the Council receives a number of specific grants which are allocated directly to departmental cash limits some of the more significant of these are the Supporting People Grant, Sure Start Grant Housing Benefits and Housing Benefits Administration grant and the Housing Subsidy (contained within the HRA budget reported on elsewhere on this agenda).

Other Resources

Council Tax:

3.14 The budget for 2009/10 included budgeted Council Tax receipts of £138.875m from a tax base of 121,127 band D equivalent properties (assuming a 98% collection rate). The Council has been experiencing steady growth in the tax base and the current tax base exceeds that used in the 2009/10 budget however that growth has been reducing in recent months. The tax base for 2010/11 will be 122,312 which is 1.5% above the 2009/10 figure. Based on trends for the last few months, a prudent view of nil growth in the tax base has, however, been taken for 2011/12 and 2012/13. The Collection Fund is expected to be in surplus at the end of 2009/10 and this is built into the resource projection for 2010/11.

3.15 In the MTFP 2009/10 to 2011/12 approved last year the Council agreed a 3% increase in the Council Tax for Manchester for 2009/10 with an assumed further increase of 2% in both 2010/11 and 2011/12. Since the MTFP was approved, however, the economy has been hit by what has turned out to be one of the worst recessions of modern times and Inflation rates have been low although this has seen an upturn in the last two months. Whilst the economy is now showing some very small signs of recovery it is generally felt that improvement will not come quickly and it will be some while before the benefits of recovery will start to have a significant positive impact on the residents of Manchester. In addition, the Government have indicated that they expect average increases in Council Tax this year to be the lowest ever and have intimated that they will cap any authorities who seek to increase their Council Tax by other than a small amount.

3.16 For the purposes of planning going forward within this MTFP, therefore it has been assumed that the Council Tax for Manchester will not be increased in 2010/11 and that it will increase by just 1% in 2011/12 and 2012/13. These increases are for Manchester's Council Tax and do not include any provision for growth in the Police and Fire precepts which are levied separately. Current indications are that proposed increases in the Police and Fire precepts will add just under 1% to the actual bills paid by Manchester residents in 2010/11.

3.17 On these planning assumptions, the Council Tax available to the Council to fund services over the next three years will be:

2010/11	£140.871m
2011/12	£141.311m
2012/13	£141.715m

3.18 The level of Council Tax set for 2010/11 will be determined by Council in March and the Council Tax increases for 2011/12 and 2012/13 will be subject to review in future budget rounds. For information, each plus or minus 1% change in either the Council Tax charge or the Council Tax base would change the amount of Council Tax collected by plus or minus £1.38m

Dividends:

3.19 The City Council receives dividends from the Airport, the parking joint venture company and Manchester Working. Airport dividends, when received, are placed in a reserve and then a proportion of the reserve is released in the following year to support the revenue budget. This is considered to be a prudent mechanism which gives the Council some protection if anticipated dividend levels are not achieved. The estimated figures to be utilised in support of the budget are:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Airport	4,040	4,210	4,390
Joint Ventures	1,500	1,500	1,500
Total	5,540	5,710	5,890

Airport dividends not required to support the Revenue Budget are transferred into the Capital Fund.

Parking Reserve and Bus Lane Enforcement Reserve:

3.20 Any surpluses arising from the on street parking enforcement service (decriminalised parking) or from Bus Lane restriction enforcement fall each year into a statutory reserve. Provided the Council has no requirement to invest in further off street parking, it can choose to utilise these reserves to fund certain types of expenditure.

3.21 There is currently estimated to be some £2.7m sitting in these reserves as at 31 March 2010 and further contributions are anticipated of around £2m to £2.4m. Officers advise that, as there is no foreseen requirement in the next three years to provide additional off street parking, and no requirement for financial support to existing off street parking, the following items be funded from the reserve over the next three years:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
- support for Metro shuttle	353	361	368
- highway and environmental improvements	1,500	1,500	1,500
Total calls on reserve	1,853	1,861	1,868

3.22 The Executive is asked to agree to this proposal, subject to annual review as part of the budget process to ensure that the surplus income from parking is sufficient to sustain this level of expenditure. Based on existing estimates there will be sufficient in the reserve to meet these costs over the next three years.

Total all Resources:

3.23 Based on all the above, the level of resources which is assessed to be available to support the Council's revenue budget over the next three years compared to 2009/10 can be summarised as:

	2009/10 £'000	**2010/11 £'000**	**2011/12 £'000**	**2012/13 £'000**
Government Support	336,051	342,438	342,438	342,438
Council Tax receipts	138,875	140,871	141,311	141,715
Area Based Grant	58,697	58,749	39,168	19,587
Dividends	5,370	5,540	5,710	5,890
Reserves (Parking and Capital)	2,345	1,853	1,861	1,868
Other Resources	450	0	0	0
Total Resources	541,788	549,451	530,488	511,498

3.24 The figures shown above are based on our current best assessment of the likely level of resources available. Given, however that there has been no indication from Government as to what will happen to RSG and ABG after 2010/11 and the fact that there could potentially be a change in Government before any information is made available, the figures for 2011/12 and 2012/13 have to be treated with extreme caution. Some sensitivity analysis and best / worst case scenario analysis has been carried out which show that the level of potential variance in the resources available in these latter two years could vary widely. The City Treasurer feels however that the figures presented above are the most appropriate currently available for planning purposes.

4. Calls against Resources

Departmental Requirements:

4.1 For this years budget process the budget has been prepared using the principles agreed last year:

- Business Plans are Improvement Plans – they should show how all of our functions are being improved to deliver the Community Strategy
- Business plans show how improvement will be implemented - then shows how people, performance, finance and risk will be managed in an integrated way over the next three years to implement the agreed improvements
- We move resources to corporate priorities - The budget and business planning process should move resources to our priorities not simply allow spending to be pushed by seemingly unavoidable cost pressures.
- We also move resources to neighbourhood priorities through the Neighbourhood Funding strategy
- To invest in corporate and neighbourhood priorities we have to identify efficiencies to release the resources needed
- We find efficiencies without impacting on the quality of service received by residents and customers, that is, we look to do the same for less resource or doing more with the same resource.
- The budget balances over the three year period

- We have an integrated process – it integrates mainstream funding with additional funding through ABG and SIF

4.2 Heads of Service have reviewed their Business Plans and rolled them forward for a further year to cover the three years 2010/11 to 2012/13 using the above principles.

4.3 The cash limit budget targets were based on the assumptions outlined in section 2 above.

4.4 Based on these assumptions, departmental cash limit targets including the growth and efficiency savings identified and approved in the MTFP 2009/10 to 2011/12 total:

2010/11 £403.196m
2011/12 £401.151m
2012/13 £407.316m

Partnership Funding (ABG Grant):

4.5 Those elements of ABG used in conjunction with partnerships (Safer Stronger Communities Fund, Teenage Pregnancy, Prevent, School Gates Employment, School Travel Advisors, Economic Assessment Duty and Working Neighbourhoods Fund) are a critical aspect of driving forward service improvement and delivery of LAA targets across the public sector. In 2010/11 these funds total £31.713m. The funds will be targeted at the delivery of targets within the Local Area Agreement (LAA) and the Community Strategy.

Levies:

4.6 The Council is responsible for paying a number of levies to other joint bodies, most notably the Greater Manchester Waste Authority and the Greater Manchester Passenger Transport Authority. Estimates have been included for levies as follows:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
GM Passenger Transport	31,365	33,561	35,910
GM Waste Disposal Levy	21,020	24,279	25,643
Environment Agency	202	210	218
Probation	30	30	30
Magistrates Court	21	21	21
Port Health Authority	74	76	78
Total	52,712	58,177	61,900

* Although included within the table of levies above, the waste levy is now being administered by Environmental Services and will be included within their published budget. This is to recognise the impact that the actions of the department in

reducing the levels of waste delivered to the WDA will have on the level of future levies which will be tonnage based. It has been included above to give a complete view of the levies paid.

4.7 The PTA levy is distributed across the districts based on population. The above figures allow for the impact of Manchester's population growing as well as the proposed increase in the total levy to the PTA (5.6% including 3% to contribute towards the Transport Fund).

4.8 The WDA Levy as calculated above is based on the anticipated level of Manchester's waste disposed of through the WDA and the anticipated impact of the new waste disposal PFI which is nearing implementation. The PFI is expected to have a significant impact on the levy in 2011/12 and later years when the new facilities start to come on stream.

4.9 Final levies for 2010/11 are not yet known but are not expected to differ significantly from the current estimates.

Contingency:

4.10 The contingency is used to hold monies to meet unforeseen costs that may arise during the year, to hold budgets for known issues that have not yet been allocated to departmental budgets or to hold budgets for known issues where the final cost of the council is not yet clear. The required contingency amounts for the next three are currently estimated as:

2010/11	£7.659m
2011/12	£9.179m
2012/13	£12.579m

4.11 The main items included in the above are:

- Provision for increasing pension costs of £3.1m in 2010/11 and 2011/12 rising to £5m in 2012/13
- Provision to meet costs arising from restructuring across the Council including time limited pay protection of £2.5m in 2010/11 and 2011/12 falling to £2m in 2012/13
- Provision to meet any increased charges from the WDA either through increased tonnages or unforeseen impacts on the levy of the PFI of £250,000 in 2010/11, £500,000 in 2011/12 rising to £2.5m in 2012/13
- National Insurance Increase due to come into effect from 1 April 2011 of £1.5m
- Contingency of £1m a year to meet any costs arising from the Southwark Judgement should these be higher than currently expected.
- £500,000 a year as an unallocated contingency to meet future unforeseen expenses

Capital Financing Costs:

4.12 Capital financing costs have been calculated based on the assumptions on unsupported borrowing included within the Capital Programme (Annex 2 to budget report) including costs arising from the refurbishment of the Town Hall complex. Any agreed changes to the Capital Programme as presented that affect the proposed level of unsupported borrowing could have an impact on the estimated Capital Financing Costs requirement. The figures below show the total budget required

2010/11	£45.293m
2011/12	£48.467m
2012/13	£48.467m

4.13 The prudential code allows unsupported borrowing provided the authority can demonstrate through the Prudential Indicators that it can afford such borrowing from within projected revenue streams. Proposed Prudential Indicators based on the current budget reports are attached as appendix D.

5. Summary of initial budget position

5.1 The current estimated budget position of the Council over the next three years taking into account all of the above can be summarised as:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Resources :			
Government Support	342,438	342,438	342,438
Council Tax receipts	140,871	141,311	141,715
Area Based Grant	58,749	39,168	19,587
Dividends	5,540	5,710	5,890
Parking Reserves	1,853	1,861	1,868
Total Resources	549,451	530,488	511,498
Calls on resources :			
Departmental targets	403,196	401,151	407,316
Partnership Funding (ABG)	31,713	31,713	31,713
Corporate Requirements:			
Levies	52,712	58,177	61,900
Capital Financing Costs	45,293	48,467	48,467
Contingency	7,659	9,179	12,579
Procurement and other Housekeeping savings	(2,015)	(2,215)	(2,215)
Total Call on resources	538,558	546,472	559,760
Surplus (Shortfall) of Resources	10,893	(15,984)	(48,262)

5.2 Within the above, the figures used for levies in 2010/11 are still subject to final approval and announcement by the levying bodies. All the figures contained above for 2011/12 and 2012/13 are based on the best available information at this time and should be treated as indicative only to aid medium term financial planning.

6 **Proposals for Additional Investment**

6.1 The Council remains committed to maximising the use of its resources to meet the policy priorities of the council. As referred to earlier in this report, the priorities are set out in the Community Strategy and Greater Manchester Strategy. Within this there are specific priorities of the Greater Manchester Strategy relating to:

- Worklessness and Skills
- 0-5 years
- Neighbourhood Focus
- Environmental Strategy

6.2 The aim is to provide excellent public services whilst creating the conditions for economic growth, improved skills and productivity and less deprivation and dependency.

6.3 The establishment of the 'Productivity Fund' will provide support for investment in key areas such as Worklessness and Skills and the 0-5 agenda, helping to identify which interventions will be scaled up using mainstream funding, aligned to Total Place and City Region Pilots.

6.4 Additional funding is also being identified to support the climate change agenda with planned investment in the **Climate Innovation Fund and Environmental Strategy.** The skills and capacity of the Environmental Strategy service will be increased to provide effective direction, co-ordination, knowledge and support. In addition it is proposed that a new carbon innovation reserve is put in place for 2010/11 and 2011/12. This will focus on the key areas that need to be delivered in the Climate Change Action Plan, with an expectation that it will also lever in partner agency resources.

6.5 There is also need to ensure that our services are equipped to deliver to a high standard that is fully aligned to the Community Strategy and our corporate priorities. In order to achieve this, the following priorities for investment have been identified.

Children's Services

- **Southwark Judgement –** This is the recent judgement relating to the support available to homeless young people. In order to meet the additional requirements arising from the judgement it is estimated that there will be additional costs of £1m per annum. The operating procedure will look to achieve compliance with the judgement in a cost effective way that achieves good outcomes for homeless young people. A further sum is being held in contingency.

- Further investment for Children's Services is planned to provide additional support to Disabled Children. This in part relates to a recent Ombudsman Review and ensuring that services are quickly available to those who have been assessed as needing them. In addition, whilst Manchester has been successful in stabilising the overall numbers of looked after children (LAC), the budget was predicated on some challenging reductions. Revised plans for 2010-13 identifies achievable and savings and seeks efficiencies in reducing unit costs of LAC placements per head and social care per head as part of VFM strategy.

Chief Executives

- **Supporting Regeneration -** Elements of the Regeneration and Economic Policy Division had been funded via the Local Authority Business Growth Incentive Scheme or LABGI. From 2011/12 onwards there will be a mainstreaming requirement to support the City Centre Regeneration Team, the Corridor Partnership, South Manchester Regeneration team and Manchester Innovation Investment Fund. The ABG review will look at each of these to assess the on-going funding requirements.

Neighbourhood Services

- **Highways** - It is intended to provide additional investment in this area to improve the level of maintenance to improve the condition of Manchester's roads, to address the damage caused by the recent adverse weather conditions and to restock supplies for any future winter gritting needs. This is linked to the Capital Programme review which has identified an ongoing £1.6m capital funding for maintenance and use of one off grant funding to provide additional revenue support.

- **Leisure Major Events** – support to major events continues to bring economic benefit to the City and provide motivation to young people to participate in sports. £400k has been earmarked to support future major sporting events subject to benefits justifying costs.

- **Private Sector Housing** – Additional funding is to be invested in this service to support the implementation of the Private Sector Housing Review.

Adult Services

- Additional investment is to be made to support demographic pressures including the need to further develop home care and reablement services. No specific provision has as yet been included within the budget for potential costs arising from the Free Personal Care consultation. We are currently assessing any potential cost to the Council should this become legislation.

6.6 A full list of all additional investment is attached as appendix C.

6.7 If all the proposed additional investment is approved, this would represent a total increase in investment on services of:

2010/11	£22.885m
2011/12	£31.451m
2012/13	£34.381m

6.8 Some of this, however, is already allowed for within the agreed cash limit targets. The additional growth and investment that will impact on the shortfall of resources as shown in the table above are:

2010/11	£15.077m
2011/12	£17.577m
2012/13	£20.507m

7. **Balancing the Financial Position**

7.1 In reviewing their business plans, Heads of Service have identified additional efficiency savings totalling £11.356m by 2012/13.

7.2 In addition, the process this year has been driven very much in tandem with our strategy for transformational change. Transformation is not new to Manchester. We have been constantly striving to deliver improved services in a more efficient way but we now have a more focused approach. There are three key drivers for transformational change in Manchester - one is improvement (how we deliver services to citizens); the second is efficiency (use of resources); and the third is a highly skilled workforce with flexible, generic skills - managers and employees that are supported to continually develop their skills and are able to work across a range of service areas. We strongly believe that these drivers are complementary.

- an efficient service (in terms of the cost to deliver per unit of activity) is likely to be a more effective service from the customer's point of view.
- customer-focused improvement will (amongst other things) aim to eliminate waste which will improve both efficiency and customer experience.
- our approach to transformation is characterised as "putting customer services first without putting efficiency last".

7.3 This work is being carried out as part of the Analyse and Improve Manchester or AIM Transformation Programme and through the review of discretionary funding including ABG. The goal of AIM and the discretionary funding review is to improve both efficiency and the quality of service delivery. We have made working assumptions about efficiencies to be captured over the next three years and progress on these assumptions will be monitored closely as more information on resources becomes available.

7.4 Our transformation as an organisation needs to be underpinned by a strong skills development programme by upskilling / reskilling our existing workforce, making them more flexible and highly skilled, and capable of working across service areas.

7.5 To facilitate this, our Personnel and Organisational Development functions are being combined into a multi disciplinary HR service under the leadership of a single HR/OD Director. The new service will provide a high quality corporate core function and provide Directorates with the support they need to deliver the vision and outcomes within their Business Plans. It will result in the creation of a fully integrated team with improved capacity and skills to enable the organisation to realise the benefits and opportunities of transformation. The target date for the implementation of the new Service is September 2010.

7.6 There is also a continued emphasis on driving improvements in how we procure goods and savings through which we intend to save a further £1.5m per year.

7.7 Within the growth bids identified in appendix C is a pressure arising in Planning due to a shortfall in Planning Application and Building Regulation Fees totalling £369k over the next 2 years. It is proposed that these costs be met from the Planning Delivery Grant unspent from previous years.

7.8 Also within the calls on resources as identified above are a number of one off or time limit items including:

	2010/11 £'000	**2011/12 £'000**	**2012/13 £'000**
MIF 2011 underwriting		500	
Review of Depots	400		
Census	200		
Legal costs for Highways Joint Venture	200		
Leisure - major events	400	400	400
Libraries – self issue technology	557		
Total	1,757	900	400

7.9 It is proposed for 2010/11 that these one off items be funded through the General Fund Reserve up to the level required to match the remaining shortfall of resources. The overall financial position for the next three years can therefore be summarised as:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Resources :			
Government Support	342,438	342,438	342,438
Council Tax receipts	140,871	141,311	141,715
Discretionary Funding	58,749	39,168	19,587
Dividends	5,540	5,710	5,890
Parking Reserves	1,853	1,861	1,868
Planning Delivery Grant	120	249	0
Total Resources	549,571	530,737	511,498
Calls on resources :			
Corporate Requirements:			
Levies	52,712	58,177	61,900
Capital Financing Costs	45,293	48,467	48,467
Contingency	7,659	9,179	12,579
Partnership Funding	31,713	31,713	31,713
Departmental Requirements:			
Business plan targets	403,196	401,151	407,316
Plus: Additional growth and investment	15,077	17,577	20,507
Less: Additional Savings identified by departments	(1,506)	(4,674)	(11,356)
Less: Procurement and housekeeping savings	(2,015)	(2,215)	(2,215)
Less: anticipated AIM savings / service savings / discretionary funding review	(2,000)	(27,738)	(57,013)
Less one off Items funded from reserves	(558)	(900)	(400)
Total Call on resources	549,571	530,737	511,498
Remaining Budget Shortfall	0	0	0

8. Ensuring Value for Money – national and local picture

8.1 Nationally, the notion of Value for Money (VFM) also continues to increase in profile, not least in the paper 'Putting the Frontline First: Smarter Government', published by the Treasury in December 2009, alongside the 2009 Pre-Budget Report, which sets out the government's plans to halve the budget deficit within 4 years through tighter spending controls and 'leaner' government. Significantly the paper includes a proposal to introduce a presumption that, from 2011, public sector inspectorates begin to reserve top performance ratings for organisations that have performed well against VFM considerations.

8.2 The City Council has demonstrated an ability to deliver improvements in value for money. Over the past few years significant efficiencies have been delivered through our Manchester Improvement Programme whilst at the same time we have demonstrated strong performance against our stretching LAA improvement targets. This track record gives us confidence that the tangible benefits in value for money through the AIM programme can be delivered. This will involve finding evermore creative ways of giving Manchester people value for money from the resources we use, and to provide assurance that the Council has effective arrangements in place to achieve and improve VFM. We have also been clear from the start of this year's budget process that we need to be best on value for money for spend on general public services, and that in relation to deprivation related spend, we need a better evidence base of impact of spend on outcomes in terms of deprivation and to understand the rate of return – which services save over and over what period resulting from the reduction in demand.

8.3 Clearly, changes to this year's Business and Budget Planning Process will support delivery of this ambition, however the City Council has also initiated the development of a new single three-year VFM strategy, which is inextricably linked to the Council's Corporate Plan and Medium-Term Financial Strategy. The strategy will provide a coherent 'picture' of how VFM is being delivered across the organisation, and ensure that VFM considerations are systematically applied throughout the Council . This will demonstrate how through AIM and piloting public sector reform in our priority policy areas that as well as becoming more efficient at meeting existing demand, we can contribute to skills and growth and reduce the drivers of demand in dependency and deprivation. Importantly, the strategy will also provide an annual evidence base for external review, scrutiny and challenge.

9. Robustness of the estimates

9.1 Under S25 of the Local Government Act 2003 the Treasurer has to report to the Council on the robustness of the estimates and the adequacy of reserves.

9.2 The City Treasurer has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The Council has a well developed corporate risk register and a financial risk register that is reviewed and reported to its Strategic Management Team monthly throughout the year. In addition a risk assessment on the required level of reserves has been carried out. Each Service Head has also carried out an individual risk assessment of their own budgets which have been reviewed by the Corporate Support Team as part of the business planning process. In addition, the Treasurer has carried out a corporate budget risk assessment and will implement actions to mitigate risks identified. It is considered that the efficiency savings targets put forward by Heads of Service within their business plans represent a high risk and will required the full commitment of strategic directors, heads of service and other council staff to ensure that they are achieved. The achievement of these savings will be monitored by Strategic Management Team on a monthly basis throughout the coming year.

9.3 It is the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account reported elsewhere on the agenda have been identified and that suitable proposals have been 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.

9.4 The City Treasurer considers that the assumptions on which the budget have been proposed are prudent based on the best information we have available. The level of the contingency provision and General Fund Reserves held is considered sufficient to meet the costs of risks should they materialise.

9.5 It should be noted, however, that the figures put forward in this MTFP are based on a number of assumptions around the likely level of resources that will be available that are considered reasonable. They will need to be reviewed as soon as any further intelligence is gained on how the actual level of resources that the Government will make available to us has been indicated. Should this be significantly different to our current assumptions there may be a need to review the proposed MTFP in advance of next years budget process. The Treasurer will continue to keep members updated with any developments.

10. Financial Reserves

10.1 **General fund Reserve –** The balance on the General Fund at 1 April 2009 was just above £26.2m however this included a substantial underspend in departmental budgets in 2008/9 that had fallen into the reserve. Executive agreed as part of the 2008/9 close down that £5.6m of this underspend could be carried forward into 2009/10. Based on the latest monitoring figures for 2009/10 there is estimated to be a small further contribution to the reserve of around £600,000 (this is after making provision for the write off of equipment in Adults Social Care of £5.3m as reported in the Global Revenue Monitoring Report elsewhere on this agenda and the transfer into the reserve of a receipt from HMRC relating to the refund of VAT after a successful claim of over paid tax on leisure and library income). The balance on the General Fund reserve at the 1 April 2010 is therefore expected to be around £21.3m.

10.2 As identified in the report above, it is intended to fund £558,000 of one-off costs in 2010/11 from the reserve (this may alter slightly once final levies have been received). In addition £500,000 in 210/11 and a further £500,000 in 2011/12 is to be earmarked for the Climate Fund Reserve (see below). Based on these assumptions, the reserve will be just above the minimum recommended level for the reserve of £20m based on an assessment of risks. the Treasurer feels, however, that the outturn position will, as in passed years, be better than is currently being reported and that there will be a larger balance of the GF reserve at 31 March 2010 than is currently estimated. Should this not prove to be the case and the level falls below £20m then the Treasurer will report as soon as is practical on how the balance on the GF can be brought back above the minimum level of £20m.

10.3 **Climate Fund Reserve - I**t is proposed that a new carbon innovation fund reserve is put in place for 2010/11 and 2011/12. Much has been learned from management of the existing fund which has supported 32 projects, secured nearly £500k in match funding and stimulated additional income of £420k. In addition, having the climate change action plan now in place provides clear focus and direction for projects and applicants. The new fund will be explicitly directed to delivery of actions in the plan and it will be a partner fund. The new fund will be made up of elements dedicated to key priorities which could include supporting Future Jobs Fund schemes, developing low carbon community hubs, carbon literacy training and supporting the development of large scale energy planning projects. It is recommended that decision on the use of the fund be delegated City Treasurer and the Executive Member for Finance and Human Resources in consultation with the Strategic Director Neighbourhood Services and lead Executive Member for Neighbourhood Services.

10.4 **Manchester Productivity (Growth) Fund -** A £2m Productivity Fund will be available to policy priority leads to assist in testing areas for investment. Rigorous evaluation and Cost Benefit Analysis will help to identify which interventions will be scaled up using mainstream funding, aligned to Total Place and City Region Pilots. £2m has been earmarked from reserves (residual balance of the Service Improvement Fund and LABGI reserves) as one-off funding for the Productivity Fund. It is recommended that approval for the use of the fund be delegated to the City Treasurer and Executive Member for Finance and Human Resources in consultation with the relevant Strategic Director and Executive Member

10.5 **Service Improvement Fund** – The balance on the fund at 1 April 2010 is estimated to be £4.864m. Most of the projects previously met from SIF were mainstreamed as part of last years budget process however the fund is still being utilised to meet the remaining costs of the CRM rollout (£2.245m), the Customer Strategy (£841k), The information strategy (£515k). In addition there remains money earmarked within the reserve for the use of the Crime and Disorder partnership (this money relates to the receipt of Performance Reward Grant associated with meeting Crime and Disorder stretch targets).It is anticipated that after these commitments are met there will be a balance on the fund of £1.4m. It is proposed that £599k of this be transferred into the Manchester Productivity Fund as described in paragraph 10.4 above.

10.6 **LABGI** – this reserve was created in 2008/9 utilising some £5m of unallocated LABGI funding. It was agreed that the reserve would fund a number of regeneration projects over the three years 2008/9 to 2010/11. Since it was originally setup, the Council have received some further LABGI monies which have also been added to the reserve. The balance on the reserve at 1 April 2010 is expected to be £5.797m and it is anticipated that a further £500k will be received in 2010/11 from LABGI. Remaining commitments from the originally approved regeneration schemes is £1.417m. The Executive have also approved that the costs of SoccerEx be met from the reserve (£275k in 2010/11 and £3.15m post 2010/11) there remains, therefore, an uncommitted balance on the reserve of £1.456m which it is proposed will be transferred into the Manchester Productivity Fund as described in paragraph 10.4 above.

11. Prudential Indicators

11.1 Under the Prudential Regime, the Council need to agree a range of indicators (the Prudential Indicators) that relate to the prudence and affordability of its capital proposals. A report outlining a proposed capital programme is presented as Annex 2 to the budget report. The prudential indicators for both the General Fund and the Housing Revenue Account are detailed in Appendix D to this report and indicate resources are sufficient to support the Capital Programme as proposed in Annex 2. Any changes members make to the programme, in particular any decision to increase the programme or utilise unsupported borrowing, may have an impact on these indicators.

11.2 The indicators shown for the incremental impact of capital investments on Council Tax and Housing Rents are the gross impact before taking into account revenue support received through the Revenue Support Grant and HRA subsidy.

12. Budget Consultation and Scrutiny

12.1 This year the Council's process to consult with the general public, employees and other stakeholders on its budget plans for the coming year was improved to ensure a higher number of responses.

12.2 The Council's new telephone survey was used to target a cross section of Manchester residents and helped to ensure that the responses we received were more representative of resident's opinions across Manchester's varying demographics.

12.3 Local PR was used to promote the consultation and a press release was issued at the start of the consultation encouraging people to share their views. An article giving details of the consultation was also published in the January edition of the Manchester People, distributed to all households in Manchester.

12.4 This approach also included a limited print run of the consultation leaflet for distribution at libraries and advice centres with the emphasis on providing the information via the website. The consultation was promoted on the homepage of the website to ensure that all visitors were aware it was taking place as well as making it easy to find for people who had seen it advertised in print.

12.5 To drive our partners, stakeholders and staff to the website we also carried out an email campaign emailing key partners with link to the website to encourage their views as organisations as well as asking them to issue an internal message to their staff. We also emailed key Trade Unions inviting their comments, emailed local forums and networks - utilising the relationships we have with community groups, third sector etc and inviting their response as well as targeting local businesses and organisations through our partners at Cityco and the Chamber of Commerce - encouraging them to take part as an organisation and to encourage their staff to also take part in the consultation.

12.6 We also encouraged our staff to take part in the consultation, sending an all staff broadcast inviting their views and opinions. As well as promoting the consultation on the intranet to ensure high visibility of the consultation.

12.7 This new approach has resulted in a considerably higher rate than in previous years. The communication also provided an opportunity to promote what the Council is doing in terms of savings, investment and proposals for a nil Council Tax increase as well as seeking confirmation that the public are behind our general direction of travel.

12.8 A total of 995 responses to the consultation have been received. These responses are summarised in Appendix F to this report. A hard copy of the responses received will be made available for the Executive at the meeting as well as a break down of the website and telephone survey responses.

Appendices

A. Proposed Business Plan Cash Limits
B. List of Service Efficiency Savings
C. List of Proposed Additional Investment
D. List of Prudential Indicator’s
E. List of specific reserves
F. Feedback from Budget Consultation exercise

Appendix A

Business Plan Cash Limits

Department	Business Plan Area	2010/11 Business Plan Cash limit £000s	2011/12 Business Plan Cash Limit £000s	2012/13 Business Plan Cash Limit £000s
Adult Services		**132,956**	**131,886**	**133,919**
Children's Services:				
	Children and Young People	98,017	96,353	94,813
	Education Services	23,948	22,392	22,762
	Business Support and Commissioning	23,425	23,550	23,896
Total Children's Services		**145,390**	**142,295**	**141,476**
Chief Executive:				
	Directorate of Culture	8,491	9,010	8,668
	Planning and Building Control	2,124	2,258	2,332
	Transport Policy	128	74	83
	Communications	3,106	3,091	3,134
	Executive Office	4,042	4,051	4,123
	Performance	5,316	5,194	5,271
	Legal Services	2,248	2,289	2,319
	Democratic and Statutory Services	3,626	3,631	3,676
	Crime and Disorder	1,961	1,925	1,932
	Joint Health Unit	9	9	9
	MEDC	(375)	(349)	(354)
	Corporate Items (non Business Plan)	3,174	3,713	3,776
	Regeneration & Economic and Urban Policy	3,674	4,487	4,540
	Manchester Adult Education Service	393	381	387
	Strategic Housing	1,325	1,289	1,309
Total Chief Executive		**39,242**	**41,053**	**41,205**
Department of Transformation:				
	DoT Team	3,953	3,993	4,083
	Strategic IT	(832)	(839)	(905)
Total Department of Transformation		**3,121**	**3,154**	**3,178**

	2010/11 Business Plan Cash limit £000s	2011/12 Business Plan Cash Limit £000s	2012/13 Business Plan Cash Limit £000s
Corporate Services:			
Corporate Procurement	947	929	943
Head of Revenues and Benefits	3,695	3,689	3,744
Head of Financial Management	11,338	11,074	11,240
Capital Programme Director	746	744	755
Head of Human Resources	4,283	4,321	4,386
Head of Valuation and Property	8,217	8,283	8,402
Corporate Items (non Business Plan)	(14,445)	(14,445)	(14,445)
Total Corporate Services	**14,781**	**14,595**	**15,025**
Neighbourhood Services:			
Environmental and Contracting Services	32,093	31,815	32,376
Highways	17,232	16,556	16,764
Private Sector Housing	2,256	3,339	3,355
Head of Sports and Leisure	15,727	15,484	15,701
Head of Libraries and Information	13,210	13,039	12,874
Library Theatre Company	1,059	1,035	1,051
Trading Services	(300)	(197)	(457)
Total Neighbourhood Services	**81,277**	**81,071**	**81,664**
Total of Business Plans	**416,767**	**414,054**	**416,467**

Appendix B

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
Children's Services						
Children, Young People and Families	Externalise the provision of 2 x Children's Centres	Change location - need approvals therefore savings in first year likely to slip & will be difficult to achieve	Efficiency	60		
	Close Longhurst Children's Centre	Change location - need approvals therefore savings in first year likely to slip	Service Redesign	30		
	Integrate District Managers with GMs in NHS Manchester	Feasibility study with NHS Manchester to be undertaken	Efficiency	100		
	Dis-establish Child Assessment Framework (CAF) Programme Manager post	As Child Assessment Framework (CAF) becomes embedded	Service Redesign	48		
	Top slice Child Death Review Processes ABG 3%	Funding for Year 11-12 not known.	Service Reduction	1		
	Top Slice Care Matters ABG at 3%	Funding for Year 11-12 not known.	Service Reduction	3		
	Reduce numbers of Independent Foster Care Placements and reduce numbers of Independent Residential Placements - base	Plus £800k saving in 09-10 on overall reduction in LAC placement costs (challenging target) - predicated on growth in Social Work Service.	Reduced Demand	197	1,246	1,378
	Top slice ABG funding at 3% on Positive Activities for Young People	Funding for Year 11-12 not known	Service Reduction	9		
	Maximise increased Early Years grant-income and reduce by 3% p.a. core budget costs (£10.5m at 2008/09)	Note £342k already taken recurrently from 2008/09 budget onwards. Establish if general grant increases in 09/10 and what increased proportion of activity currently funded from core budget can be shifted to grant expenditure to realise mainstream savings.	Efficiency	165	165	
	Reduce proportion of circa £2m pa spent on services commissioned from Manchester NHS/PCT	Feasibility study with NHS Manchester to be undertaken and savings calculator and verified.	Service Reduction	66	148	
	Reduce 1 x FTE Integrated Children's System (ICS) post to 0.5 FTE ICS post	As Integrated Children's System (ICS) becomes embedded.	Service Reduction	20		
	Reduction in unaccompanied Asylum Seeker numbers		Efficiency			

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
	3% shift from External Resi to Independent foster		Efficiency	500	250	500
	Expansion of Treatment Foster Care		Service Redesign			270
	Social work recruitment & retention		Service Redesign	200		
	Children's LAC Commissioning		Efficiency	200	500	
	Clawback of District budgets		Service Redesign	220		
	Disestablish 3 District Manager posts		Service Redesign	99	109	
	Disestablish Homeless Families Team		Service Redesign	200		
	Family Strategy - reduction in Children Looked After		Service Redesign	436	909	728
Total - Children, Young People and Families				**2,554**	**3,327**	**2,876**
Education	Strategy Fund	Funding establish to support strategic development within Educational Services for School Improvement etc. Such development opportunities will now be curtailed.	Efficiency	17		
	LA support and challenge roles - cut to service		Service Redesign	184	550	
	Reduction in LSOs		Service Redesign	245	735	
	Strategic leads		Service Redesign	53	157	
	SEN leads		Service Redesign	53	157	
	Home to School Transport		Service Redesign	250		
	Vacancy Saving	May impact on service capacity to cover workload. Relies on staff turnover - which may be less likely should the country remain in recession for 2010/11	Efficiency	10		
Total Education				**812**	**1,599**	**0**
Total Children's Services				**3,366**	**4,926**	**2,876**
			Analysed by:			
			Efficiency	1,052	915	500
			Service Redesign	2,018	2,617	998
			Service Reduction	99	148	0
			Reduced Demand	197	1,246	1,378
				3,366	**4,926**	**2,876**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
Chief Executives						
Democratic and Statutory Services	Increased income in registration services		Income	16		
	Increased income in registration services		Income		17	
Total Democratic and Statutory Services				**16**	**17**	**0**
Performance	Reduction in cost of organisational development across the Council.		Efficiency			0
	Review and rationalisation of all performance management and research & intelligence functions across the council to achieve more efficient working practices.	Would need to assume all achievable within review of OD and Performance Services across the City Council to achieve this target	Efficiency	507	147	0
	Additional budget reductions		Efficiency	100		
Total Performance				**607**	**147**	**0**
Crime and Disorder	Savings to be identified within service		Efficiency	60	44	
	Savings from reduction in administrative costs following co-location of three teams		Efficiency	25		
Total Crime & Disorder				**85**	**44**	**0**
Communications Director	Events Unit	Reduced Expenditure on new events & development of existing activities	Service Reduction	61	43	
Total Communications				**61**	**43**	**0**
Directorate of Culture	Programme management	Notional Reduction on insufficient budget (reliant on natural turnover)	Efficiency	4	5	
	One off WNF to fund shortfall		Efficiency	(281)		
	Cultural Development Fund	Reduced range of feasibility studies	Service Reduction	7	13	
Total Cultural Strategy				**(270)**	**18**	**0**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
Manchester City Galleries	Cease Use of Moston Lane Storage	This proposal will require us to vacate this storage facility currently leased from Valuation and Property services. There should be no impact on customers.	Efficiency	14		
	Reduce Level of investment for Marketing	This proposal will require us to increase our use of web based advertising and reduce the amount of print and traditional advertising.	Service Redesign		12	
	Reduce expenditure on ICT (Figure changed: 10/11 was £4k)	This proposal will reduce the opportunity that the Department will have to purchase new ICT equipment or keep up to date with new technologies. This may impact upon our delivery of service in a competitive leisure environment.	Service Redesign	14		
	Redesign/ Restructure of Establishment	£212K proposed savings against an MCC staff spend of c£2m in 2010/11 represents 11% of the staff budget in the areas of visitor services, events, exhibitions and collections and asset management. This will be a priority for a MIP Review.	Service redesign	42	22	
	Re-designation of Gallery T3 from a community focused gallery space		Efficiency		0	
	Improved efficiency of buildings management systems	This proposal will require initial investment through 'Invest to Save' to enable external consultants to devise a programme of change relating to our M&E equipment.	Efficiency	20	20	
	Income Growth		Income	62	32	
	One off WNF to fund shortfall		Efficiency	(65)		
	Education Cost Recovery		Efficiency		2	
	Reductions in Exhibitions Programme		Service Redesign		5	
	Reductions in public arts / memorials budget		Service Redesign	25		
	Additional efficiency savings	Planned review of insurance arrangements and / or other efficiencies	Efficiency	50		
Total Galleries				**162**	**93**	**0**
Total Directorate of Culture				**(108)**	**111**	**0**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
Regeneration & Economic and Urban Development	One off WNF to fund shortfall		Efficiency	(101)		
	WNF to fund shortfall	Use of WNF to fund establishment	Efficiency	80		
Total Regeneration & Economic and Urban Development				**(21)**	**0**	**0**
Manchester Adult Education Service	General Efficiencies to be Achieved		Efficiency	4	12	
Total Adult Education				**4**	**12**	**0**
Planning	Critically review vacant posts		Efficiency	220	45	
	Critically review vacant posts (further saving)		Efficiency	50		
Total Planning				**270**	**45**	**0**
<u>Strategic Housing</u>	Restructure of Housing Strategy Team		Service Redesign	2	38	
	Contribution from AGMA	Contribution for input from Director of Strategic Housing to AGMA related work	Income	15		
Total - Strategic Housing				**17**	**38**	**0**
Transport Policy	Efficiency savings from revised service delivery arrangements		Efficiency	30	62	
Total Transport Policy				**30**	**62**	
Grand Total - Chief Executives				**961**	**519**	**0**
			Analysed by:			
			Efficiency	717	337	0
			Income	93	49	0
			Service Redesign	83	77	0
			Service Reduction	68	56	0
				961	**519**	**0**
Highways	Efficiencies in delivering projects		Efficiency	100		
	Efficiency savings following the Service Improvement Project		Efficiency		600	
Total Highways				**100**	**600**	**0**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
			Analysed by:			
			Efficiency	100	600	0
				100	**600**	**0**
Corporate Services						
Capital Programme Director	Corporate Technical Services	General savings against budgets	Efficiency	17	12	
	Education Programme Unit	General savings against budgets	Efficiency	15	11	
	Capital Programme Group	General savings against budgets	Efficiency	17	12	
Total Capital programme				**49**	**35**	**0**
Financial Management	Establish Shared Service Centre and review/implement new structures	The establishment of the new shared service centre should lead to improved service	Efficiency	117	152	0
Total Financial Management				**117**	**152**	**0**
Human Resources	Savings from Service Improvement Review	Savings not achievable	Efficiency	26	0	0
	Further efficiency savings	Details of savings still to be identified	Efficiency		47	0
Total Human Resources				**26**	**47**	**0**
Revenues & Benefits	Savings in postage		Efficiency	5	5	0
	Further Efficiency savings to be identified within the service		Income	37	110	0
Total Revenues & Benefits				**42**	**115**	**0**
Corporate Property	Efficiency savings to be identified within the service	Efficiencies for 2009/10 achieved but overall budget overspend. 2010/11 currently identifying saving possible staff savings and some premises related costs. 2011/12 - efficiencies not yet identified	Efficiency	79	179	
Total Corporate Property				**79**	**179**	**0**
Corporate Procurement	Efficiency savings to be identified within the service		Efficiency	3	28	
Total Corporate Procurement				**3**	**28**	**0**
Grand Total - Corporate Services				**316**	**556**	**0**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
			Analysed by:			
			Efficiency	279	446	0
			Income	37	110	0
				316	**556**	**0**
Adult Services	Strategy and Commissioning	Savings on Residential/Home care by opening Extra Care Sheltered Housing and Day Care Dementia Centre reducing the average unit costs of support from provision of more appropriate and specialised services.	Service Redesign	200	0	171
		Reduction in Care Costs from investment in prevention programme. Expected impact of early intervention and prevention measures currently being implemented that will divert potential customers.	Service Redesign	500	500	0
		General efficiency saving from administration and support functions	Efficiency	100	100	100
		Reduction in high cost places	Service Redesign			
		Electronic Monitoring one off costs removed from base	Service Redesign			
	Mental Health Pooled Fund	Improved commissioning, prevention and early intervention of Mental Health services. Commissioning improvements will be made across services with an early focus on services for customers with alcohol related dementia. Implementation of preventative and early intervention services will deliver the longer term savings.	Service Redesign	600	600	600
	Customer Support	Savings from reduced support costs due to Individual Budgets, efficiencies within the resource allocation process and the continued operation / scrutiny of panels to ensure consistency within the assessment process.	Efficiency	725	250	0
		Demand management of demographic growth.	Service Redesign	2,315	885	0

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
		Reablement savings - Intensive short term support to reduce the need for long term care. Focus will be on ensuring all older people have gone through a reablement service prior to receiving long term care and the expansion of the services to include Physical and Learning disability customers	Service Redesign	600	900	900
	Equipment and Adaptations Service	Efficiency through the rationalisation of the staffing structure.	Efficiency	400		
		General efficiency saving from within the administration and support functions of the division.	Efficiency	100	100	100
		Reduction in cost of care packages transferring from Children's Services who go on to receive long term support from Adult Services.	Efficiency	150	150	150
	Learning Disability Pooled Fund	Improved commissioning, prevention and early intervention of services via the pooled fund.	Efficiency	800	800	800
	Business Units	In - house services - efficiencies leading to improvement in unit costs. Including a robust approach to sickness absence to reduce excess staffing costs, the potential reprovision of the luncheon clubs and improved asset management and utilisation across day services.	Efficiency	600	600	600
	Business Development	General efficiency saving from within the administration and support functions of the division.	Efficiency	40	40	40
	Homelessness	Furniture Storage Procedures	Efficiency	120		
		Efficiencies generated from the Adult Social Care change programme	Efficiency		48	
	Supporting People	Reduced employment of consultants and finance support	Efficiency	8		
		Staff restructuring	Service Redesign	50		
Total Adult Services				**7,308**	**4,973**	**3,461**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
		Analysed by:	Efficiency	3,043	2,088	1,790
			Service Redesign	4,265	2,885	1,671
				7,308	**4,973**	**3,461**
Neighbourhood Services						
Trading Services	Manchester Contracts (Trading)	Reduce sub contractor costs	Efficiency		8	
	Building Cleaning (none trading)	Reduce 'casual bank' costs	Efficiency	9	3	
	Street Scene Services	VFM review Grounds Maintenance	Efficiency	100		
	Street Scene Services	Street Cleaning-Review of Management Structures	Efficiency	100	43	
	Street Scene Services	Review of SSS service improvements	Efficiency	100	125	
	Street Scene Services	Grounds Maintenance - sustainable planting	Efficiency	10		
	Street Scene Services	Grounds efficiencies not achieved 9/10	Efficiency	4		
	Street Scene Services	Cleansing efficiencies not achieved in 9/10	Efficiency	15		
	Fleet management (none trading)	Operating Licences for HGV vehicles	Efficiency		4	
	Manchester Markets	Various savings across Markets budgets	Efficiency	33	33	
		Street Environment - Review of Management Structure	Efficiency			
		Alleyway Clearance	Efficiency			
Total Trading Services				**371**	**216**	**0**
Libraries and Information Services	Departmental Staffing Restructure	Alternative savings being put forward to replace those above	Service Redesign	360		
	Staffing restructure in Central Library	Only possible following refurbishment of building. Reduction in service points to one integrated library offer. Some staff redeployment necessary. Should improve customer service offer. Under discussion as part of the business planning process and may be used with a view to mainstreaming ABG funding for ICT Facilitators.(see Pressures schedule)	Service Redesign		0	345
	Commissioning of Business Information Services by AGMA	partnership working with AGMA. Joined up approach to business information services for customers. Customer improvement	Income	2		
	Replace postage costs with e notification	improved customer service for those residents with the technology	Service Redesign	5		

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
Total Libraries				**367**	**0**	**345**
Library Theatre Company	Efficiency savings on production budgets		Efficiency	13		
	Higher average yield per ticket		Income		30	
Total LTC				**13**	**30**	**0**
Head of Sports and Leisure Services	**Outdoor Leisure**	-				
	Further restructuring in Outdoor Leisure	Comprehensive review of park management and operation, may impact on the ability to deliver agreed services in parks.	Service Redesign	197		
	Efficiencies in general parks expenditure	No impact on level of service	Service Redesign	26	0	
	Increasing income through the review of contracts and charging structures in parks including Car Parking at key parks.	Full year effect of new parking charges	Income		82	
	Increased income from additional letting of allotment sites	No impact on level of service	Income	10		
	Reduction in General parks Expenditure across the City	Reduce the ability to maintain existing facilities and services	Service Reduction	30		
	Reduction in contracted services in parks	Reduces the ability to respond to local grounds maintenance issues	Service Reduction	25		
	Reduction in Expenditure at Heaton Park	Reduces the ability to maintain existing facilities and services	Service Reduction	40		
	Reduce parks events programme	Reduce the support for events in parks	Service Reduction	25		
	Introduction of goals initiative at Heaton Park	No impact on level of service	Income		90	
	Sports Specific Development	-				
	General reduction in Sports Development expenditure	Potential risk in a reduction of support to Vol Sector sports clubs and gaining legacy from Manchester's Sports Events	Service Reduction	12	7	
	Increased income from National Governing Body partners	Potential additional risk with short term funding	Income	12	6	

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
	Community Sports Development					
	Reduction in Skatepark Revenue support	Leisure will work with Skatepark management to analyse their business plan and identify other funding but this could be contentious and have political consequences. Potential reduction in opening hours may result in more skaters in the City Centre.	Service Reduction	12	12	
	Parklands School	Operation of Parklands sports facilities revert back to the school as it becomes an academy	Service Redesign	7		
	Efficiency to be Identified	Efficiencies within SIF programmes?	Efficiency	23	4	
	Reduction in Rushford Park revenue support	Identify football club to take over operation	Service Redesign	5	5	
	Efficiency savings at Debdale Outdoor Centre	A gradual reduction in programme	Service Redesign	8	5	
	Sports Events					
	Reduced funding for calander events	The city's recently established Major Sports Events programme will be impacted by a reduction in funding for calendar events which traditionally have underpinned the city's ability to deliver its major sports events strategy	Service Reduction	109	53	
	Policy, Performance & Administration					
	Rental from letting the first floor Belle Vue Centre	Currently rent free period due to capital input. As and when Corporate Landlord take ownership, this efficiency should transfer	Efficiency	71	35	
Total Sports & Leisure				**612**	**299**	**0**
Street Management and Enforcement						
	Waste and Recycling:					
	Efficiencies in waste collection		Efficiency	50		
	Controls on issuing of residual waste bins		Service Redesign	10		
	Soft Procedural Changes eg EOC Scripts, Reduce Commercial Abuse		Service Redesign	15		

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
	Limit to Free Service Disposal Savings		Service Redesign	50		
	Bulky Collections Contract Savings		Efficiency	50	50	
	A more efficient call handling service and improved interaction with residents & businesses will reduce the cost of call handling and improve the service.		Efficiency	12	13	
	Street Environment Management:					
	Charge to Utility Companies for Graffiti Removal on Junction Boxes		Income	10		
	CCTV:					
	Third Party CCCTV Income		Income	200		
	Car Parking:					
	Bus lane income		Efficiency	150		
	Strategic Parking Review		Income	150		
	Emergency Planning:					
	Review of Staffing Structure		Efficiency	14		
	Saving on Office Costs		Efficiency	3		
	Arboriculture:					
	Abor reduce tree inspection		Efficiency	50		
	Additional saving not identified		Efficiency	50		
	Environmental Strategy:					
	Sponsorship Income		Income	250	250	
	Sustainable Planting		Service Redesign	10		
	Green spaces		Efficiency	50		
	Private Sector Housing:					
	Immigration sponsorship income		Income	9		
	Transport expenditure reductions		Efficiency	4		
	Reduced Accommodation		Efficiency	29		

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
	Posts lost through staff turnover (5 posts)		Service Redesign	83		
	Increased income		Income	20		
	Efficiencies from a review of Private Sector Housing / Neighbourhood Services		Service Redesign	1,001	1,397	
Total Street Management and Enforcement				**2,270**	**1,710**	**0**
Grand Total - Neighbourhood Services				**3,633**	**2,255**	**345**
			Analysed by:			
			Efficiency	940	318	0
			Income	663	458	0
			Service Redesign	1,777	1,407	345
			Service Reduction	253	72	0
				3,633	**2,255**	**345**
Department of Transformation						
Corporate Technology						
	Further Efficiency savings to be identified within the service		Efficiency	104	59	
Total Corporate Technology				**104**	**59**	**0**
GRAND TOTAL - ALL BUSINESS PLAN AREAS				**15,788**	**13,888**	**6,682**
Corporate Efficiency Items						
	Housekeeping Efficiencies		Efficiency	515	200	
				515	**200**	**0**

Business Plan Area	Mainstream Savings Proposal	Further details	Type of Saving	2010/11	2011/12	2012/13
GRAND TOTAL Including Corporate items				**16,303**	**14,088**	**6,682**
			Analysed by:			
			Efficiency	6,750	4,963	2,290
			Income	793	617	0
			Service Redesign	8,143	6,986	3,014
			Service Reduction	420	276	0
			Reduced Demand	197	1,246	1,378
				16,303	**14,088**	**6,682**
			Cumulative Savings	**16,303**	**30,391**	**37,073**
			Variation compared to current MTFP	**1,506**	**3,168**	**6,682**
			Made up of:			
			Savings in MTFP not achievable	(7,584)	(3,412)	2,523
			New savings not included in current MTFP	9,090	6,580	4,159
				1,506	**3,168**	**6,682**
			Cumulative variation from MTFP	**1,506**	**4,674**	**11,356**

Appendix C

Proposed Additional Investment for 2010/11 to 2012/13

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
Children's Services						
Children, Young People and Families	Child Health and Disability (CHAD)	This has arisen from costly outside placements and parental choice	Demand Led Growth	500		
	Looked after Children	The numbers of residential and outside placements have not declined as previously estimated. The overspend is expected to reduce due to the introduction of Resource Panels and centralised Placement Service	Demand Led Growth	4,000		
	Family Placement SIP	Gross of cost avoidance - see also efficiencies. Service standard at risk if pressure not met - also issue for helping to expand service and reduce external placement cost	Demand Led Growth	665	665	
	My Place - revenue implications of external capital investment (Youth Service)	Match funding to support external capital investment in the Youth Service	Growth	160		
	Additional SW posts - service reform	To support the service redesign and "Think Family" model. Positive impact on LAC prevention and intervention	Growth	500	500	
	Rephasing/Review Children's Growth Proposals	The service has estimated the potential investment slippage in the first year of any approved growth provision	Growth Slippage	400		
Total - Children and Families				**6,225**	**1,165**	**0**
Education	Funding for Academy Programme	As part of the Academy Agreement to Local Authority has agreed with DCSF that £40k per annum per Academy will be made available. There is no choice regarding meeting this pressure	Other	0		

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
Total - Education				**0**	**0**	**0**
Business Support and Commissioning	Planning and accommodation		Other	200		
	Closed schools security costs	General increase in security costs but mainly due to the maintenance costs of surplus land after demolition of redundant school buildings. This estimate assumes that the application for funds to meet demolition costs will be approved	Growth	200		
	Alpha House development in Wythenshawe which is planned for September 2009	Further cost pressure on Children's Services which would need to be found from within budgets that are already struggling to meet savings targets	Other	21		
Total - Business Support and Commissioning				**421**	**0**	**0**
Total Children's Services				**6,646**	**1,165**	**0**
			Analysed by:			
			Growth	860	500	0
			Demand Led Growth	5,165	665	0
			Growth Slippage	400	0	0
			Other	221	0	0
				6,646	**1,165**	**0**
<u>Chief Executives</u>						
Regeneration & Economic and Urban Policy	Realign mainstream budgets	Result of zero based budgeting exercise identified key areas which had been under funded from mainstream resources.	Growth	100		
Total Regeneration & Economic and Urban Policy				**100**	**0**	**0**
Legal Services	Land Charges Income	Reduced income from land charges	Economic Downturn	267		
Total Legal Services				**267**	**0**	**0**

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
Democratic and Statutory Services	Coroners Courts	Reflects ongoing budget pressures	Other	260		
Total Democratic and Statutory Services				**260**	**0**	**0**
Performance	Staff consultation	One off growth in 2009/10 falling back out	Growth	(250)		
Total Performance				**(250)**	**0**	**0**
Crime and Disorder	Anti Social Behaviour Action Team	Anticipated Reduction in the Housing Market Renewal Grant resulting in less support for the revenue budget. Reduction in grant expected to be 50/25/25 % in 09/10 to 11/12	Loss of Grant	0	0	
Total Crime and Disorder				**0**	**0**	**0**
Directorate of Culture	-					
Cultural Strategy	Events - Manchester Festival	One off growth in 2009/10	Growth	(300)		
	Strategic Culture Projects	Staffing structure to support development and delivery of major cultural projects	Growth	159		
Manchester City Galleries	Curatorial Capacity to deliver Ford Madox Brown exhibition		Other	32	(32)	
	Loss of RDA Grant		Loss of Grant		130	
Total Directorate of Culture				**(109)**	**98**	**0**
Planning	Shortfall in Planning Application & Building Regulation fee income		Economic Downturn	120	129	
Total Planning				**120**	**129**	**0**
Grand Total - Chief Executives				**388**	**227**	**0**

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
			Analysed by:			
			Growth	(291)	0	0
			Economic Downturn	387	129	0
			Loss of Grant	0	130	0
			Other	292	(32)	0
				388	**227**	**0**
Highways:	Highway & Traffic client management		Other		(110)	
	Street Lighting Energy Demand		Growth	24	21	
	Accident Trip Claims & repairs		Other	615	(151)	(131)
	Spend to save shortfall		Growth	262	131	
	Reactive routine maintenance repairs		Other	620		
	Network management Income		Economic Downturn	660		
Total Highways				**2,181**	**(109)**	**(131)**
			Analysed by:			
			Growth	286	152	0
			Economic Downturn	660	0	0
			Other	1,235	(261)	(131)
				2,181	**(109)**	**(131)**
<u>Corporate Services</u>						
Financial Management	Financial Capacity to support partnership governance work		Growth	20	5	
Grand Total - Corporate Services				**20**	**5**	**0**
Director Adult Services	Impact in 2011/12 of budget pressures identified in last years Medium Term Financial Plan to meet demographic pressures		Demand Led Growth		3,295	3,461

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
	Increased accommodation costs to support multi agency working		Other		200	
	Other LA's	Reduced admin income following termination of SLA's - total £220k, 50% offset by assumed reduction in staffing costs	Other	110		
	Unachievable charging income		Economic Downturn	525		
	Equipment and Adaptations accounting issues	Correction of accounting treatment of community equipment	Other	800		
	Home Care and Reablement		Growth	475		
	Growth in dementia		Demand Led Growth	650		
Total Adult Services				**2,560**	**3,495**	**3,461**
			Analysed by:			
			Growth	475	0	0
			Demand Led Growth	650	3,295	3,461
			Economic Downturn	525	0	0
			Other	910	200	0
				2,560	**3,495**	**3,461**
<u>Neighbourhood Services</u>						
Trading Services	Bereavement Services reduction in income		Economic Downturn	150		
	Residual City Works reserves required for asbestos claims		Other	150		
	Manchester Contracts reduction in external income due to economic downturn		Economic Downturn	200	0	
Total Trading Services				**500**	**0**	**0**
Libraries and Information Services	Implementation of self issue technology (RFID)	Mainstreamed in 2009/10 business planning process	Growth	557	(672)	0

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
	New Miles Platting Library PFI gap and staffing	Mainstreamed in 2009/10 business planning process. Deferred by 1 year	Growth Slippage	0	164	0
	New Brookway Academy Library staffing	Mainstreamed in 2009/10 business planning process	Growth	253	0	0
	New Beswick Academy Library staffing	Mainstreamed in 2009/10 business planning process	Growth	173	0	0
	New Higher Blackley staffing	Mainstreamed in 2009/10 business planning process. Deferred by 1 year	Growth Slippage	0	138	0
	New Higher Blackley estimated rent (unconfirmed)	Mainstreamed in 2009/10 business planning process. Deferred by 1 year	Growth Slippage	0	113	0
Total Libraries			**Sub Total Growth**	**983**	**(257)**	**0**
Sports and Leisure	Wythenshawe Forum profit share	None achievable efficiency saving	Unachievable efficiency saving	150		
	M/ch Sport and Leisure Trust	None achievable efficiency saving	Unachievable efficiency saving	100		
Total Sports & Leisure			**Sub Total Growth**	**250**	**0**	**0**
Street Management and Enforcement:						
	Waste and Recycling		Growth	1,143	(20)	
	Grounds maintenance	Loss of sponsorship Income	Other		41	
	Review of support services buildings	Had been assumed would be a saving in 2010/11 but will now be achieved by the end of 2012/13	Other	400	(400)	
	Private Sector Housing	Reduction in the Housing Market Renewal Grant resulting in less support for the revenue budget and reduced opportunity to capitalise salaries against the HMR projects	Loss of Grant	663	1,851	
		Service re-alignment	Growth	1,700	600	
Total Street Management and Enforcement			**Sub Total Growth**	**3,906**	**2,072**	**0**
Grand Total - Neighbourhood Services				**5,639**	**1,815**	**0**

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
			Analysed by:			
			Growth	3,826	(92)	0
			Economic Downturn	350	0	0
			Growth Slippage	0	415	0
			Loss of Grant	663	1,851	0
			Unachievable efficiency saving	250	0	0
			Other	550	(359)	0
				5,639	**1,815**	**0**
Department of Transformation						
		Mainstreaming of MIP costs funded from SIF	Growth	2,465		
		Loss of external income relating to RSLs estimated at £200k but would need to be addressed in Service Restructure above	Growth	0		
Total Director of Transformation				2,465	0	0
GRAND TOTAL - ALL BUSINESS PLAN AREAS				**19,899**	**6,598**	**3,330**
Corporate Growth Items						
	Corporate Rental Income	Additional item in 2010/11 of £192k for rental at level 3 HH	Economic Downturn	500		
	AGMA capacity for sub regional Development		Growth	(230)		
	Miles Platting Joint Service Centre	Agreed by Executive on 22 July 2009	Growth	181	(69)	

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
	Manchester International Festival	Underwrite potential loss of sponsorship funding as per report to Executive 13 January 2010	Growth		500	(500)
	CAS:H Grants	Additional £5k per ward	Growth	160		
	Manchester Day		Growth	200		
	Additional Subvention Funding	As agreed by Executive on 21 October 2009	Growth	265	535	
	Etrop Court	As agreed by Executive on 21 October 2009	Growth	110	220	
	Environmental Strategy Staff		Growth	200	100	100
	Mainstreaming LABGI funded schemes		Loss of other funding		882	
	Costs associated with census		Growth	200	(200)	
	Leisure - Major events	Aviva, Great City Games and London 2012	Growth	400		
	Children's Services	Costs associated with Southwark Judgement	Demand Led Growth	1,000		
Total Corporate Growth Items				**2,986**	**1,968**	**(400)**
Total all Growth				**22,885**	**8,566**	**2,930**
			Analysed by:			
			Growth	9,127	1,651	(400)
			Demand Led Growth	6,815	3,960	3,461
			Economic Downturn	2,422	129	0
			Growth Slippage	400	415	0
			Loss of Grant	663	1,981	0
			Loss of other Funding	0	882	0
			Unachievable efficiency saving	250	0	0
			Other	3,208	(452)	(131)
			Total Growth and Pressures	**22,885**	**8,566**	**2,930**

Business Plan Area	Budget Area	Further details	Type	Proposed Investment 2010/11 £'000	Proposed Investment 2011/12 £'000	Proposed Investment 2012/13 £'000
			Cumulative Growth and Pressures	**22,885**	**31,451**	**34,381**
		Additional Pressures not included in current MTFP		**15,077**	**2,500**	**2,930**
		Cumulative additional Pressures not included in current MTFP		**15,077**	**17,577**	**20,507**

Appendix D

List of Prudential Indicators for approval

Note: figures agreed last year shown in brackets

No.	PRUDENTIAL INDICATOR	2010/11		2011/12		2012/13
1	**Ratio of Financing Costs to Net Revenue Stream**					
	Non – HRA	8%	(9%)	9%	(9%)	9%
	HRA	18%	(20%)	20%	(21%)	19%
2	**Incremental impact of Capital Investments on :-**					
	Council Tax (Band D, per annum)	£1.64p		£8.41p		£9.50p
	Housing Rent per week	£0.15p		£0.81p		£1.38p
	(See note A below)					
3	**Capital Expenditure**	**£m**		**£m**		**£m**
	Non - HRA	418	(302)	172	(149)	70
	HRA	31	(28)	37	(15)	11
	TOTAL	449	(331)	209	(164)	81
	(see note B below)					
4	**Capital Financing Requirements (as at 31 March)**	**£m**		**£m**		**£m**
	Non - HRA	865	(650)	925	(700)	990
	HRA	475	(450)	480	(450)	480
	TOTAL	1,340	(1,100)	1,405	(1,150)	1,470
5	**Authorised Limits for External Debt -**	**£m**		**£m**		**£m**
	Borrowing	1,187	(1,167)	1,132	(1,167)	1,200
	Other Long Term Liabilities	206	0	206	0	206
	TOTAL	1,393	(1,167)	1,338	(1,167)	1,406
	(See note C below)					
6	**Operational Boundaries for External Debt -**	**£m**		**£m**		**£m**
	Borrowing	1,040	(1,060)	1,059	(1,108)	1,132
	Other Long Term Liabilities	206	0	206	0	206
	TOTAL	1,246	(1,060)	1,265	(1,108)	1,338
	(see note C below)					
7	**Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services**			Yes (Yes)		
8	**Upper Limits on Fixed Interest Rate Exposures**					
	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	83% (79%)		85% (80%)		86%
9	**Upper Limits on Variable Interest Rate Exposures**					
	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	56% (89%)		65% (93%)		74%

No.	PRUDENTIAL INDICATOR	2010/11	2011/12	2012/13
10	**Maturity Structure of borrowing (2010/11 only)**			
		Lower Limit	Upper Limit	
	under 12 months	0% (0%)	50% (50%)	
	12 months and within 24 months	0% (10%)	60% (60%)	
	24 months and within 5 years	30% (10%)	80% (70%)	
	5 years and within 10 years	0% (0%)	60% (60%)	
	10 years and above	10% (10%)	60% (60%)	
12	**Upper Limits for Principal Sums Invested for over 364 days**	**£** 0 (0)	**£** 0 (0)	**£** 0

Note A - The indicators shown for the incremental impact of capital investments on Council Tax and Housing Rents are the gross impact before taking into account revenue support received through the Revenue Support Grant settlement and HRA subsidy. To the extent that the capital programme is funded, the % net impact on council tax and housing rents is reduced by additional grant received.

Note B – Capital expenditure figures include proposed expenditure on Town Hall and additional proposals for reserved resources.

Note C – The increase in Other Long Term Liabilities is due to the move to International Financial Reporting Standards which means assets held under a PFI scheme must be included on the council's balance sheet. There are approximately 2700 council houses, 2 schools, 100k street lights, 183m energy systems for number of block of flats. Also several leases have been re-categorised as finance leases from operating leases and must be included on the balance sheet.

Appendix E

Key to responsibilities: 1 – appropriate Strategic Director, 2 – schools, 3 – Executive (and Council where appropriate), 4 – City Treasurer

	Opening Balance 01/04/10 £	Withdrawals £	Additions £	Closing Balance 31/03/11 £	Who Responsible for use (see key above)	Purpose
EARMARKED RESERVES						
HOSPITALITY AND TRADING SERVICES						
New Smithfield Market Initiative Fund	279,614			279,614	**1**	Legal requirement. Set up as a condition of grant aid to build market. To be used for minor renewals, repairs and to meet deficiencies on the revenue account. Any spend has to be agreed by Market Traders and Members
NSM – Car Boot	750,050			750,050	**1**	To fund initiatives that will benefit the development of New Smithfield wholesale market (can be drawn down by traders in settlement of service charge)
Investment from Surpluses	245,343		10,000	255,343	**1/3**	Repayable finance to schools for service improvement. Balance of additional surpluses over the Business Plan target from previous years agreed by members for investment within the catering service

Key to responsibilities: 1 – appropriate Strategic Director, 2 – schools, 3 – Executive (and Council where appropriate), 4 – City Treasurer

	Opening Balance 01/04/10 £	Withdrawals £	Additions £	Closing Balance 31/03/11 £	Who Responsible for use (see key above)	Purpose
Town Hall Reserve	17,278,000	3,129,000	700,000	14,849,000	**4**	To meet revenue decant costs etc. associated with refurbishing the town hall extension and central library
CHILDREN'S SERVICES						
LMS Reserve	22,000,000	2,000,000		20,000,000	**2**	Schools reserves. These figures are based on returns from schools. Recent budget outturns have indicated schools actually utilise substantially less reserves than they anticipate.
Temple Schools PFI	638,368		26,786	665,154	**4**	Established to fund the requirements re. PFI contract for the Temple school via our external contractors.
Wright Robinson PFI	673,266		112,113	785,379	**4**	Established to fund the requirements re. PFI contract for the Wright Robinson school via our external contractors.
Area Based Grant Reserve	290,000	229,000		61,000	**3**	Unspent ABG from 2008/9 set aside for future use
CHIEF EXECUTIVE'S						
B of the Bang Reserve	330,000	330,000		0	**1/3**	Reserve to meet costs of B of the Bang removal and replacement
Planning Delivery Grant Reserve	1,730,176	729,000		1,001,176	**1/3**	Unused grant received in previous years

Key to responsibilities: 1 – appropriate Strategic Director, 2 – schools, 3 – Executive (and Council where appropriate), 4 – City Treasurer

	Opening Balance 01/04/10 £	Withdrawals £	Additions £	Closing Balance 31/03/11 £	Who Responsible for use (see key above)	Purpose
CORPORATE SERVICES						
St Johns Gardens Contingency	412,444		32,500	444,944	**1**	Contributions from St Johns Gardens tenants for maintenance works
ENVIRONMENTAL SERVICES						
Cemeteries Replacement	40,625		40,000	80,625	**3**	To provide additional grave spaces.
Great Northern Square Maintenance Fund	292,053		27,301	319,354	**1**	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Street Lighting PFI	6,726,269	464,798		6,261,470	**4**	Established to fund the requirements over 25 years re. the PFI contract for Street Lighting service via our external contractors
Bus Lane Enforcement Reserve	1,047,984		402,000	1,449,984	**3**	Reserve from income arising from bus lane enforcement powers, which is set aside to support expenditure on transport and environmental improvements
On Street Parking	1,682,288	1,853,000	2,079,057	1,908,345	**3**	Reserve from On-Street Parking surplus's year on year, which is set aside to support expenditure on transport and environmental improvements
MANCHESTER CITY GALLERY						
Art Fund	195,144			195,144	**1**	Purchase of Works of Art

Key to responsibilities: 1 – appropriate Strategic Director, 2 – schools, 3 – Executive (and Council where appropriate), 4 – City Treasurer

	Opening Balance 01/04/10 £	Withdrawals £	Additions £	Closing Balance 31/03/11 £	Who Responsible for use (see key above)	Purpose
ADULT SERVICES						
Community Care Reserve	1,900,000			1,900,000	**4**	A fund created to deal with volatility of forecasting expenditure on Care Home Placements
TUPE transfer costs reserve	760,000			760,000	**1/3**	Includes reserve for costs of operational activities associated with staff transfers
GENERAL FUND						
Development Fund	3,692,242		80,270	3,772,512	**3**	To invest in schemes that will pay back investments from savings
LABGI reserve	5,797,000	3,147,000	500,000	3,150,000	**4**	Projects being met from LABGI monies
Unused Dividends Reserve	4,040,000		170,000	4,210,000	**3**	Balance of dividends received not yet used
Capital Fund Revenue Reserve	32,194,454	47,110,000	19,800,000	4,884,454	**3**	Council's contribution to major capital schemes
Service Improvement Fund	4,910,976	2,940,000		1,970,976	**4**	To fund improvements in Council Services
Pension Reserves	5,354,245		4,125,000	9,479,245	**4**	To help meet future pensions liabilities
General Fund Reserve	21,277,000	1,058,000		20,169,000	**3**	General Reserve

Key to responsibilities: 1 – appropriate Strategic Director, 2 – schools, 3 – Executive (and Council where appropriate), 4 – City Treasurer

	Opening Balance 01/04/10 £	**Withdrawals £**	**Additions £**	**Closing Balance 31/03/11 £**	**Who Responsible for use (see key above)**	**Purpose**
Housing Loans	5,838,715	70,000		5,768,715	**4**	To meet future costs
Insurance Fund	17,695,478			17,695,478	**4**	To meet future uninsured losses and self insured costs
Collection Fund	2,657,000	2,657,000		0	**4**	Surplus on collection fund
Climate Innovation Fund	0		500,000	500,000	**1/3**	To cover costs of climate change initiatives
HMRC Assessments	250,000			250,000	**4**	To meet potential costs associated with future VAT assessments
Productivity Fund	0		2,055,000	2,055,000	**3**	To pump prime future investment opportunities to achieve further on-going savings
Total all General Fund Reserves	160,978,733	65,716,798	30,660,027	125,921,962		
HOUSING REVENUE						
HRA General Reserve	53,738,185		3,428,000	57,166,185	**4**	General Reserve
HOUSING CAPITAL						
Major Repairs Allowance	348,964	9,009,000	9,610,966	950,930	**4**	Provides resources needed to maintain value of housing stock

APPENDIX F

Budget Consultation Responses

1. Introduction

1.1. This year the budget consultation was undertaken using a wider range of communication methods to residents. A revised approach to the consultation was taken following recommendations from the Resource and Governance Overview and Scrutiny Committee (RAGOS) to encourage a greater level of interest in the budget, and a higher number of responses to the budget consultation, by engaging more residents more pro-actively.

1.2. As a result of the enhanced approach this year, the number of responses to the consultation was significantly higher than in previous years. Residents and organisations were invited to respond to the priorities and budget plans for the future:

- on the Manchester City Council website;
- by emailing Manchester City Council with their views on the budget priorities;
- sending out Freepost budget consultation leaflets to complete and return;
- asking residents through the new citywide rolling telephone survey.

2. The Budget Questions

2.1 Residents were informed of the budget priorities for the next financial year and then asked the following questions:

Question 1
In principle do you generally agree with the council's budget priorities for the next three years?

Question 2
Do you have any comments or suggestions for the councils budget plans for the future?

2.2 Table 1 below outlines the number of responses to the headline budget question according to the different methods. By far, the telephone survey generated the highest number of responses - with a total of 904 responses. In total across all methods, there were 995 responses, with 85.6% agreeing in principle with the council's budget priorities (10.6% who did not agree).

Table 1 **Responses to the budget consultation question**

In principle do you generally agree with the council's budget priorities?

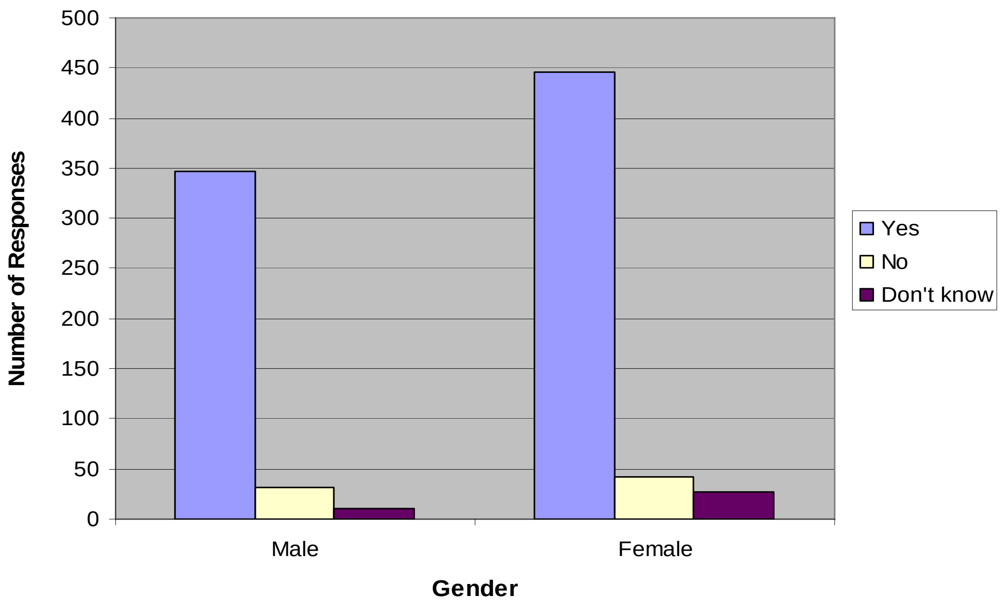
	Telephone Survey (Number of responses)	Website (Number of responses)	Email (Number of responses)	Written (Number of responses)	Total	Percent
Yes	793	59	0	0	**852**	**85.6%**
No	73	30	0	2	**105**	**10.6%**
Don't know / not sure	38	0	0	0	**38**	**3.8%**
Total	904	89	0*	2	**995**	**100.0%**

* there was one email sent to the budget inbox by a resident but it was unrelated to the budget consultation.

3. Telephone Survey Responses

3.1 The telephone survey gained the highest number of responses. Residents were surveyed on the budget questions between 16 January 2010 and 1 February 2010. Figure 1 and 2 show the breakdown across gender and age from the survey and Map 1 shows the spread of responses across the city by regeneration area. These responses relate to the first question of the consultation. Please note that the geographical spread is purely for illustrative purposes and in some cases the sample size is too small to make inferences about the general population of that area.

Figure 1 - Responses by Gender



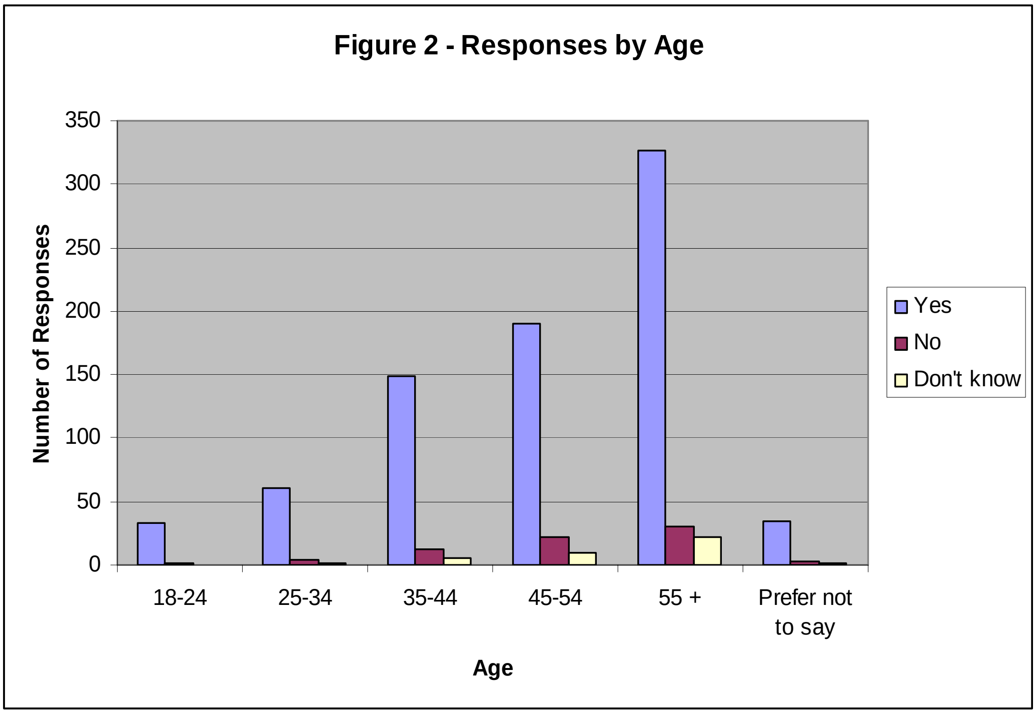
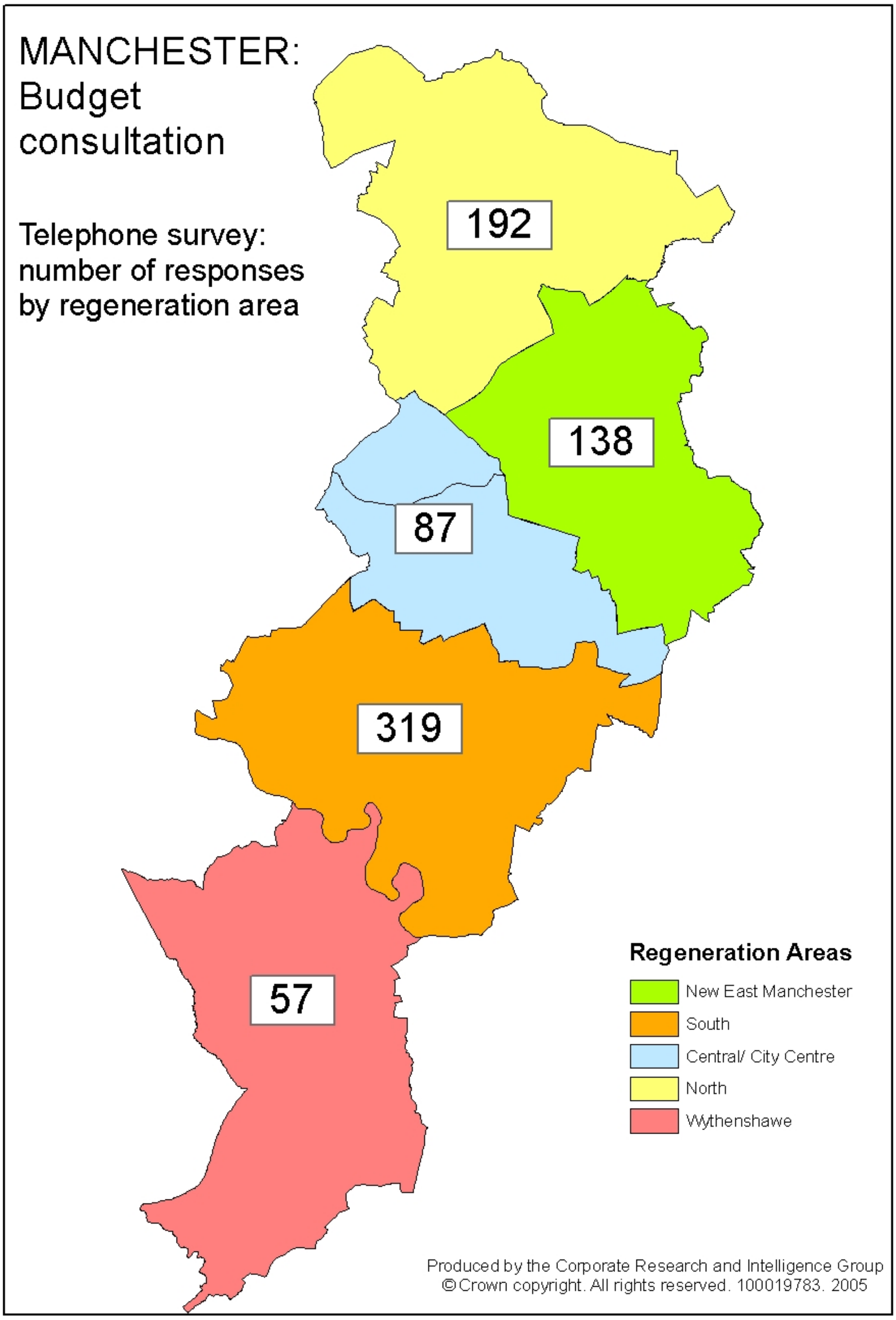


Figure 2 - Responses by Age
Number of Responses
350
300
250
200
150
100
50
0
18-24
25-34
35-44
45-54
55 +
Prefer not to say
Age
Yes
No
Don't know

Map 1 Citywide Responses by Regeneration Area



3.2 Responses to the second question were open-ended and obviously unique to the individual. However, Corporate Research and Intelligence has coded the responses to identify themes. 402 respondents made comments when answering the second question. These comments are coded below along with example quotations.

3.3 The largest number of comments made related to employment opportunities, worklessness and the proposals for apprenticeships. Thirty respondents stated that they felt the issue of employment opportunities was the main priority. In addition, 19 respondents specifically stated that they supported the plans to develop apprenticeships and another 4 respondents stated that tackling worklessness was the main priority.

"Apprenticeships for people out of work are very important"

"Need to give young people something to do - training young people - providing skills and services"

"Encouraging people to get into work is good. Would like to see more done for the youth of Manchester - more encouragement and activities"

"More regional investment for employment"

3.4 Twenty-one respondents specifically mentioned issues of litter, cleanliness and recycling as a priority.

"I believe recycling facilities could be improved"

"Tidy the streets"

3.5 Nineteen respondents felt that there should be more provision for children and young people.

"More activities for children such as sports facilities, would like to see a community centre"

"More provision for the teenagers and children"

"More places teenagers can be entertained that is cheap"

3.6 Fifteen respondents specifically stated that crime and / or anti-social behaviour issues were a priority.

"Tackle low-level anti-social behaviour"

"More police on "the beat", greater police presence"

"Increase the policing to make Manchester a safer place to live"

3.7 Sixteen respondents stated that roads, pavements and cycle paths should be priorities.

"Should improve the road repairs and potholes"

"Look after the roads better"

“Road repairs, Better cycle paths”

3.8 Sixteen respondents make a specific comment in support of the action on climate change.

“I particularly agree with the Council's policy on climate change”
“Perhaps improve the street lighting to more energy efficient”

3.9 Although, eighteen respondents made a point of expressing scepticism about climate change being a problem.

“Carbon footprint is a waste of time”

“I don't believe climate change is a problem”

3.10 Twelve respondents said that social care provision and services for the elderly should be a priority.

“Providing more funding for disability groups”

“More help for the elderly”

3.11 Seven respondents state that they felt the main priority was to keep council tax down. Seventeen respondents, however, were concerned that there will be cuts in services.

“As long as streamlining the services doesn't cut people off e.g. people who are handicapped or elderly/those who can't afford a lot of money”

“I don't want any services being compromised. I would rather pay a slightly higher amount of council tax”

“Make sure that streamlining does not hinder services”

3.12 Nine respondents stated that they would like to see improvements in public transport.

“Improve public transport”

“Public transport needs improving, especially for pedestrians and cyclists”

4. Website Responses

4.1 Responses to the consultation via the Manchester City Council website increased from last year, but were lower than responses to the telephone survey. Data relating to gender, age and geography was not collected via this method. However, comments relating to the second question about budget priorities for the future have also been coded and are summarised below.

4.2 Eighty-nine specific comments relating to priorities were made during the online consultation.

4.3 There was a level of disagreement about the introduction of 'smart meters'.

"I don't agree with wasting my tax money on 'smart meters'. I am more than capable of managing my own energy efficiency. I consider this idea to be patronising and frivolous"

"I disagree that "smart meters" should be introduced since they will be expensive and un-necessary"

4.4 Activities for children and teenagers was a priority for three respondents.

"Increased activities for young people"

"Improve services for children and young people"

4.5 Public transport was seen as a priority by some respondents.

"I think you should spend some more on sustainable transport. Safe cycle lanes away from cars, cheap reliable and quick public transport, etc."

"I think you should give more priority to cycling. It's the greenest thing you could promote, get's people exercising meaning they get fitter, lose weight and cost the NHS less in the future and have fun getting to work"

4.6 Support was shown for the priorities around apprenticeships.

"I am pleased to see you are going to concentrate on young people and apprenticeships to encourage a greater workforce"

4.7 Some respondents stated that they felt more support should be given to voluntary and community groups.

"there should be a focus on improving support for voluntary and community groups and commissioning services presently delivered by the Council. This will deliver both efficiencies as well as improved quality of services"

5. Conclusions

5.1 This year's consultation generated the highest number of responses ever. The responses were strongly in favour of the budget priorities. Residents' comments made on the second question have been summarised above, and in general relate to areas already covered by the priorities or focus on the delivery of the priorities. There were some comments about improvement opportunities for the council in general, and services in particular.

ANNEX 2

Three Year Capital Programme 2010/11 and onward programme (including Capital Strategy)

This Annex presents the three year capital programme 2010/11 and onwards. The capital programme aims to deliver the optimum combination of projects and programmes that represent the key priorities of the City Council's capital strategy. Details of the capital strategy appear in Appendix B.

The three year capital programme uses the most up to date forecast of outturn figures for 2009/10 as the base point for its calculation.

Formal resolutions to the following recommendations will be required if the capital investment programme is to be implemented and delivered as part of the integrated budget process presented in this report.

Members are requested to:

1. Note that the capital strategy has been updated and to agree the amended version as presented in Appendix B

2. Note that the latest estimate of capital outturn for 2009/10 is £360,907,000 as detailed in the capital monitoring report elsewhere on this agenda.

3. Note the capital programme report as presented will require further prudential borrowing £75,949,000 (Housing £28,960,000, Non Housing £46,989,000) over the three year period and that provision is being made in the revenue budget for the associated financing costs. (Note this includes £13,260,000 for new homes and that the associated financing costs will be funded by additional rental income from the additional dwellings created.)

4. Recommend to the City Council for approval the one year capital programme 2010/11 and forward commitments as presented in Appendix A.

5. To note that a comprehensive review of the capital strategy and the capital programme will be conducted and any recommendations will be reported back to Executive later in 2010.

6. Delegate authority to;

    a) The Chief Executive in consultation with the Leader and Executive Member for Environment for the approval of the list of schemes to be undertaken under the Transport capital programme.
    b) The Head of Engineering to implement these schemes in accordance with the capital Gateway 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 £30,000,000 in 2010/11 and then £10,000,000 per year thereafter.

d) The City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend when necessary from 2011/12 and 2012/13 subject to resource availability.

e) The City Treasurer in consultation with Executive Member for Finance and Human Resources to agree and approve where appropriate the following:

   i. The programme of schemes for the delivery of the corporate asset management programme
   ii. Financial management decisions relating to temporary unsupported borrowing and the investment of surplus resources

.

f) The City Treasurer, in consultation with the Chief Executive and the Executive Member for Finance and Human Resources to increase the capital budget by up to £500,000 in 2010/11 subject to 100% external funding being available for additional preliminary works relating to land remediation around Sportcity.

g) The City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the one year capital programme 2010/11 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

Attachments

Appendix A Detailed Three Year Capital Programme
Appendix B Capital Strategy

Background

1. The current 3 year capital programme 2009/10 to 2011/12 originally approved by the Executive in February 2009 is being implemented, subsequently enhanced by a number of amendments and additions approved by the Executive and Council throughout the year.

2. The capital programme 2010/11 will comprise the continuation of the current three-year programme plus approved new proposals that will be outlined later in this report. The figures relating to the programme continuation are based on estimates compiled during the most recent monitoring exercise details of which are in the Capital Monitoring 2009-10 report elsewhere on this agenda. The three year programme 2010/11 to 2012/13 has been calculated on the expectation that the current year (2009/10) outturn will be £360,907,000.

3. The Housing Capital Programme was agreed by Executive in September 2009. The report indicated a potential deficit £14,300,000. The programme has been scrutinised and reprofiled in an attempt to deliver key priorities and this has resulted in the latest forecasts for the 3 years 2009/10 to 2011/12 increasing slightly to a deficit of £14,450,000.

4. The estimated spending profiles in 2010/11 and 2011/12 will still be subject to scrutiny and possible change as part of the proposed mid year capital strategy and capital programme review.

5. Members should note that if the outturn for 2009/10 slips below its current predicted figure then the forward programme will be adjusted. This may also impact on the delivery of other projects causing corresponding slippage into 2011/12 and beyond

6. The recession has had an adverse effect on resource availability, in particular the City Council’s ability to generate capital receipts. Also at the national level there is a risk that funding allocations for future years may be revised downwards from levels previously indicated.

7. The full implications of the recession cannot be evaluated completely at present and it is suggested that a review of the whole capital programme is undertaken during 2010/11. This is to ensure that the revised funding resources available to the City Council are invested so that they focus on the key priorities for the Council going forward and takes a holistic view of all planned investment in a locality.

Bids 2010/11

8. Service departments have submitted a number of bids identifying capital investment requirements supporting service and budget strategies in accordance with the Gateway evaluation process, to ensure that bids are strategically sound and meet corporate objectives. Investment will be required for the recurring elements of the capital programme, details of which appear later in this report.

9. Due to the current lack of capital resources the consideration of new projects that require funding support from City Council's own resources is extremely limited. Priority should be given to key recurring programmes and strategic investments. Projects that will secure 100% external funding can be added to the programme if they fit strategically.

Treatment of Resources

10. Resources still remain reserved for two proposals previously agreed by the Executive.

    - Irwell River Park £2m (dependent on partner contributions)
    - Balance of Cultural Programme £480k

    These projects are not yet in the capital budget but funding was earmarked last year to allow their addition as soon as suitable proposals emerge.

Proposed Programme 2010/11 to 2012/13

11. There are requirements for temporary increases to the underlying level of investment in the following areas;
    a. Annual ICT infrastructure investment be raised temporarily by £1,500,000 per year for the three years 2010/11 to 2012/13.
    b. Additional planned maintenance for the Highways network at £1,600,000 per year for the three years 2010/11 to 2012/13.
    c. Additional investment for strategic land acquisition in Collyhurst £1,250,000.

12. If the current capital programme strategy is to continue this will require the recurring element to receive capital investment in the third year (2012/13) of the new 3 year programme. Thus the one year capital programme 2010/11 would have the following indicative increases in 2012/13:

    a. Continuation of Asset Management Programme £10,000,000
    b. Settlement of outstanding liabilities relating to old CPO's £30,000
    c. Disabled employees equipment & adaptations £30,000
    d. Disabled access grants £145,000
    e. Demolition programme £50,000
    f. ICT infrastructure £500,000.

13. Government has recently announced a capital grant £6m towards addition basic needs for Children's Services Education. The majority of this allocation is intended to be used to provide additional pupil accommodation in primary schools in particular to address the recent increase in pupil numbers.

14. There is an opportunity to purchase land near Manchester Central. It is proposed that this investment is crucial to the land assembly strategy for the continuing redevelopment of the City Centre. The cost of the proposed

purchase that will be financed from Capital Fund is estimated to be £1,300,000 including stamp duty and fees.

15. External funding support is expected to be available to enable the following proposals to be introduced into the programme:

    a. BMX Public Realm additional works £342k
    b. Chorlton Water Park £34k
    c. Burton Road Traffic Management £672k

    Also there is the possibility of securing additional external funding towards the initial costs of remediation of land near Sportcity. It is therefore requested that the City Treasurer in consultation with the Chief Executive and the Executive Member for Finance and Human Resources is authorised to increase the capital budget by up to £500,000, subject to 100% external funding being available.

16. In addition it is recognised that further “spend to save” investment opportunities may arise and in order to deliver these types of projects it is recommended that delegated authority is given to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The extent of this delegation should be limited to an annual total of £10,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any such additions to the capital budget are financed in full by additional income / revenue budget savings. A further increase of £20,000,000 in 2010/11 only, is requested to enable strategic purchases to be completed where the cost of borrowing will be covered in full by additional income from long term rental agreements.

17. The proposals contained in this report would create a one year capital programme of £449,279,000 in 2010/11, plus forward commitments of up to £208,771,000 in 2011/12, £81,334,000 in 2012/13 and planned commitments in future years of £27,584,000 if approved.

18. Prudential borrowing of £75,949,000 will be needed to support this proposed budget (including indicative increases into 2012/13 for recurring programme elements).

    a. The Housing programme requires £28,960,000 to finance
        i. £14,450,000 - the latest forecast of the deficit in the Housing capital budget
        ii. £1,250,000 additional investment for strategic land acquision in Collyhurst.
        iii. £13,260,000 as 50% matching funding for government grant to build new homes. The associated financing costs will be funded by additional rental income generated by the additional dwellings created.

b. The non housing programme requires £46,989,000 (including the proposed recurring programme outlined in paragraphs 12 and is analysed thus:
   i. £4,500,000 for additional ICT investment over 3 years
   ii. £4,800,000 for Highway planned maintenance over 3 years
   iii. £10,755,000 provisionally for the third year of the recurring programme (see para 12 above)
   iv. The remainder £26,934,000 is required primarily as a result of the revised level of usable capital receipts over the three years 2010/11 to 2012/13.

19. A summary of estimated spend by department is contained at the front of Appendix A followed by schedules containing individual scheme details.

20. The estimated funding profile for the financial year 2010/11 is as follows:

	£000
Supported Borrowing	54,860
Unsupported Borrowing	111,094
Grants	257,657
Contributions	4,826
Revenue	13,896
Capital Receipts	6,946
Total	449,279

21. Work is continuing to produce the best estimate of figures for the three years 2010/11 to 2012/13. This will include the effect on 2010/11 and future years of any changes in the delivery of the current 3 year programme 2009/10 to 2011/12. If changes to figures in 2009/10 are identified in the current year's monitoring processes these will need to be fed into the new 3 year programme schedules. Any such changes should simply be re-profiling between financial years with no overall change to the estimated total cost of any individual project. Members are requested to agree that authority be delegated to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources to continue to make such alterations after this report to Executive to enable the best set of figures to be presented to full Council in March.

Conclusions

22. Approval of the recommendations contained in this Annex will authorise the capital programme detailed in Appendix A.

Appendix A

Summary Capital Programme

Reference Number	Programme	Memo Only Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	Future Years £000	Total Spend £000
	Housing	101,200	75,656	55,482	24,019	0	155,157
	Transport	20,576	25,229	5,136	1,600	0	31,965
	Education	141,558	231,971	85,362	0	0	317,333
	CSC	3,901	7,409	0	0	0	7,409
	ASC	2,440	7,382	203	0	0	7,585
	EPCS:						
	Chief Executives'	32,644	52,734	4,889	2,000	0	59,623
	Corporate Services	47,783	44,685	57,699	53,715	27,584	183,683
	Environment & Operations	3,820	718	0	0	0	718
	Trading Services	265	0	0	0	0	0
	Libraries & Theatres	4,971	925	0	0	0	925
	Manchester Galleries	242	10	0	0	0	10
	Manchester Leisure	1,507	2,560	0	0	0	2,560
	TOTALS	**360,907**	**449,279**	**208,771**	**81,334**	**27,584**	**766,968**

Detailed Capital Programme

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
	Housing						
	Public Sector Housing - Retained stock						
1	Structural Remedials	32					0
2	Demolition and compensation	33	500	1,500	2,000		4,000
3	Roofing Works	17					0
4	Electrical Rewiring	11					0
5	Programmed Maintenance-other works	489	250	250	250		750
6	Improvement Works - Heating and Insulation	357					0
7	Improvement Works - Kitchens and Bathrooms	27					0
8	Other Improvements	-61					0
9	Equipment and Adaptations	2,300	1,000	1,000	1,000		3,000
10	Transfer related expenditure	857	976				976
11	PFI Related	542					0
12	IT Developments	981					0
13	Capital Receipts Funded	15					0
	Public Sector Housing - New Build						
14	New build - Council Homes		7,521	19,000			26,521
	Sub total	**5,600**	**10,247**	**21,750**	**3,250**	**0**	**35,247**
	Public Sector Housing - Northwards						
15	Structural Remedial Work	-72	256	115	100		471
16	Programmed Maintenance - Replacement Windows	4,926	661	375	1,161		2,197
17	Reroofing	70	7				7
18	Rewiring			1,250	1,500		2,750
19	Programmed Maintenance - Other Works	1,116	480	1,405	500		2,385
20	Improvement Works - Heating and Insulation Only	258	676	2,930	1,700		5,306

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
21	Improvement Works - External Improvements (Including Roofs Etc Where Required)	4,204	9,141	1,683	1,625		12,449
22	Improvement Works - Kitchens or Bathrooms (Including boilers/Rewire Where Required)	20,484	4,981	132	400		5,513
23	Other Improvements	3,042	2,138	5,509			7,647
24	Salaries and Fees	3,178	2,220	1,906	1,100		5,226
25	DDA	39					0
	Sub total	**37,245**	**20,560**	**15,305**	**8,086**	**0**	**43,951**
	Private Sector Housing						
	City wide / Statutory Programme						
26	Salaries	2,444	867	1,234	896		2,997
27	Disabled Facilities Grants	4,448	4,060	4,071	4,081		12,212
28	CDRP WNF City Wide Alleygating	299					0
29	External Works	1,390	300				300
30	Agency Support	599	599				599
31	CPO/Clearance	5,492	499				499
32	RRO / Loan Products	230	230	230	230		690
33	Home Repair Assistance	320	320	320	320		960
34	Energy Efficiency	1,150	800	800	800		2,400
35	English Partnership	2,643					0
	Sub total	**19,015**	**7,675**	**6,655**	**6,327**	**0**	**20,657**
	Pathfinder Programme						
36	Walsden Ave	840					0
37	Ben St	760					0
38	Bell Crescent	300					0
39	St Jeromes/Bell Crescent	359					0
40	Minor Misc Projects	369					0

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
41	Bowes St	500	9,181				9,181
42	Toxteth St	9,899	11,109				11,109
43	Kingsley Ave	1,007	991				991
44	Eccleshall St	2,857	500				500
45	Poulton St		121				121
46	Hanson Road		196				196
47	Bute St		434				434
48	Parkhill Ave		223				223
49	Golden Lion		250				250
50	Oldham Road	102	231				231
51	Cardinal St		100				100
52	Viola St	457	57				57
							0
53	HMR - Private Rented Sector	12	96				96
54	HMR - Improvements to Retained Stock	3,868	849				849
55	HMR - Sustaining Neighbourhoods	1,778	542				542
56	HMR - Delivery	2,421	1,822				1,822
57	HMR - Additional Funding	3,128					0
	Sub total	**28,657**	**26,702**	**0**	**0**	**0**	**26,702**
58	**Pathfinder Programme Match Funded**		2,992	3,079	0		6,071
59	**Housing Strategy Programme - CAPR & RHP**	8,161	7,480	8,693	6,356		22,529
60	**New Growth point**	2,522					
	TOTAL HOUSING	**101,200**	**75,656**	**55,482**	**24,019**	**0**	**155,157**
	Non Housing						
	Transport						

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
	Transport Programmes - LTP:						
61	Bridges Assessment and Strengthening	933					0
62	Integrated Transport Measures (Minor Works)	2,792	8,528				8,528
63	Primary Route Network - Bridge Strengthening	245					0
64	South East Manchester Multi Modal Study (SEMMMS)	1,073	1,904				1,904
65	Strategic Road and Footway Maintenance	2,791	4,894				4,894
66	Planned Maintenance for the Highways Network		1,600	1,600	1,600		4,800
	Transport Programmes - Non LTP:						
67	City Centre Public Realm - Metrolink	4,858					0
68	City Centre Signage Programme	216					0
69	Manchester & Salford Inner Relief Route	15					0
70	Northern Orbital Quality Bus Corridor	36					0
71	Pavement Repairs Rolling Programme	2,842	2,669				2,669
72	Quality Bus Corridor - SEMMMS	160					0
73	Quality Bus Corridor Top Slice	48					0
74	Chorlton Safer Routes to School	100					0
75	Sense of Place	17					0
76	Styal Road / Simonsway Junction Improvements	106					0
77	Urban Traffic Control	3,000	3,000	2,536			5,536
78	UTC Top Slice	250					0
79	Wilbraham Safer Routes to Schools	52					0
80	Canal Street Barrier	61					0
81	Longley Lane Traffic Calming	70	30				30
82	Neighbourhood Funding Strategy	200	1,800	1,000			2,800
83	Road Safety for Older People	420	80				80
84	Congestion Target Performance Fund	195					0
85	Burton Rd Traffic Management Scheme	25	724				724
86	Making Up of Wyre St	71					0
	Total Transport	**20,576**	**25,229**	**5,136**	**1,600**	**0**	**31,965**

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
	Children's Services - Education						
	Primary Schools - Major Building Projects:						
87	Primary Review Option Appraisal	9					0
	Primary Schools Rebuilding Programme:						
88	Ashgate Primary - Replacement Accommodation		500	3,000			3,500
89	Brookburn Primary - Extensions & Alterations	572					0
90	Maine Road - Pathfinder	2,504					0
91	Old Moat Primary - New School	275	6,125				6,125
92	Parkview Primary - New School	4,373	2,227				2,227
93	Pike Fold Primary - New School	100	3,900				3,900
94	St Agnes Primary - New School	342					0
95	St.Thomas Primary - New School	3,738					0
96	Varna Street Primary - New School	486	4,724				4,724
97	Cravenwood Primary - Alterations	250	80				80
98	Projects still under consideration		229	15,989			16,218
	Subtotal Primary Schools Rebuilding	**12,640**	**17,785**	**18,989**	**0**	**0**	**36,774**
	Building Schools for the Future (BSF) - Phase 1:						
99	Buglawton Special Education Needs (SEN)	3,180	-74				-74
100	Burnage High School	12,868	7,969				7,969
101	Castlefield SEN	3,868	1,009				1,009
102	Gorton Education Village (including artificial playing surface)	427	489				489
103	Higher Blackley Education Village (including all weather pitch)	3,986	-344				-344
104	King David High School	8,824	10,000	1,500			11,500
105	Levenshulme High School	2,779	19,883	1,150			21,033
106	Newall Green High School	64					0
107	Southern Cross SEN		3,093				3,093
108	St.Matthew's RC High School	430					0
109	St.Paul's RC High School & Piper Hill SEN	5,026					0
110	Phase 1 Information & Communication Technology (ICT)	2,404	2,356	1,000			3,356

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
111	Wright Robinson Private Finance Initiative (PFI)	344	1,787				1,787
	Subtotal BSF Phase 1	**44,200**	**46,168**	**3,650**	**0**	**0**	**49,818**
	BSF - Academies:						
112	Academies - General		1,009				1,009
113	ICT for Academies	650	8,876				8,876
114	Communication Academy	18,269	7,889				7,889
115	Creative and Media Academies	197	34,397				34,397
116	East Manchester Academy (formerly Built Environment Academy (New East Manchester)	14,891	4,699				4,699
117	East Manchester Academy (formerly Built Environment Academy (New East Manchester) Remediation Works	658					0
118	Manchester Enterprise Academy	11,071	6,726				6,726
119	Manchester Health Academy	9,761	7,712				7,712
120	The Co-operative Academy of Manchester	12,966	9,167				9,167
121	Reduction re expenditure on Libraries at East M/c & Health Academies which is included in Libraries Monitoring Report (Budget Line 10/122 & WBS C/1163/0001)	-1,975					0
122	academies slippage - broad brush reduction across Academies. Detail to come for Jan. report	-1,525	3,500				3,500
	Subtotal BSF Academies	**64,963**	**83,975**	**0**	**0**	**0**	**83,975**
123	**BSF Phase 2 - resources for the following projects:**	6,500	56,005	44,250			100,255
	Buglawton Hall School						0
	Chorlton High School ICT						0
	Ewing School						0
	Grange School						0
	Lancasterian School						0
	Loreto High School						0
	Parrswood High School ICT						0
	St.Peter's R.C. High School						0
	The Barlow R.C. High School & Specialist College						0

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
	Trinity C.of E. High School						0
	Whalley Range 11 - 18 High School						0
	Subtotal BSF Phase 2	**6,500**	**56,005**	**44,250**	**0**	**0**	**100,255**
	Sub-Total all BSF	**115,663**	**186,148**	**47,900**	**0**	**0**	**234,048**
	Manchester Partnership Programme - Schools Refurbishment Works:						
	Extensions						0
	Mechanical						0
	Roof Works						0
	Windows, Doors and Refurbishments						0
124	Various Other Refurbishments (still under consideration)	2,000	7,825	4,500			12,325
	Subtotal MPP Schools Refurbishments	**2,000**	**7,825**	**4,500**	**0**	**0**	**12,325**
	Other Projects -						
125	Burnage High School - Support for Arts College	44	36				36
126	Mellands High School - Multi Media	20					0
127	Newall Green High School 6th Form Centre	3,345	105				105
128	Parrswood HS - Multiple Physical Disabilites Learning Area	34					0
129	St.Matthews City Learning Centre - Broadcast Quality TV Studio	40					0
130	Lancasterian School - Specialist Colleges (SEN Communication & Interaction College)		120				120
							0
	Other Programmes -						0
131	Children's Services - Multi Agency Projects		2,000				2,000
132	Computers for Pupils Phase 3 - Other ICT	619					0
133	ICT - Home Access for Hard to Reach Pupils	224					0
134	ICT Harnessing Technology grant	1,309	3,424	1,864			5,288
135	Extended Services for Schools	1,314	1,096	543			1,639
136	LEA Liability	8					0
137	School Travel Plan Programme	27					0

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
138	Schools Access Initiative	765	677	677			1,354
139	Schools Devolved Capital	2,992	5,065	10,602			15,667
140	St Peter's RC High School Playing Fields	100					0
141	Improvements to School Kitchens & Dining Rooms	405	1,690	287			1,977
							0
142	Allocations for additional basic need		6,000				6,000
	Total Children's Services - Education	**141,558**	**231,971**	**85,362**	**0**	**0**	**317,333**
	Children's Services - Children's Social Care						
143	Quality and Access - Early Years and Play Building Improvements	1172	5,245				5,245
144	Sure Start Children's Centres - Phase 3	1155	837				837
							0
	Other Programmes/Projects:						0
145	Youth Facilities - Youth Capital Fund Plus	423					0
146	Youth Capital Fund	298					0
147	Playbuilder	544	605				605
148	Aiming High for Disabled Children	309	722				722
	Total Children's Services - Children's Social Care	**3,901**	**7,409**	**0**	**0**	**0**	**7,409**
	Neighbourhood Services - Adult Social Care						
149	Asbestos Removal Programme	100					0
150	Demolition of Ex Residential Care Homes	100	200				200
151	Learning Disability Network - Adaptations to Homes		81				81
152	Mental Health Support Programme	83					0
153	Whitebeck Court Extra Care Scheme	2157	7,101	203			7,304
	Total Neighbourhood Services - Adult Social Care	**2,440**	**7,382**	**203**	**0**	**0**	**7,585**

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
	EPCS:						
	Chief Executive's						
154	New East Manchester Programme	21776	33,095	725		0	33,820
	Beacons Programme:						
155	Environmental Projects and Campaigns	10					0
	North Manchester:						
156	Cheetham District Centre	750	500				500
	South Manchester:						
157	Burnage Environmental Improvements Phase 2	53					0
158	Kerscott Road Access and Security	5					0
159	Maine Road Redevelopment	1238					0
160	Range Road Environmental Improvement Works	15					0
161	St. Phillips, Hulme - Tree Planting	52					0
162	Victoria Baths Restoration Phase 1 (with additional works)	143					0
163	Victoria Baths Restoration Phase 1 Plus Works	900	159				159
164	Wythenshawe Forum Regeneration Project	91					0
165	Wythenshawe Town Centre		488				488
166	Hulme High Street Parking Scheme	120	40				40
167	Britannia Basin Environmental Scheme	48					0
	Other Projects:						
168	Band On The Wall	200					0
169	Disabled Access Grants	250	145	145			290
170	Oxford Road Digitisation (fibre optic cabling)	227	213				213
171	Oxford Road Public Realm Improvements	0	1,718				1,718
172	MAES Accommodation Review	900	300				300

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
173	Etrop Court		1,108	519			1,627
174	First Street - Public Realm	1457	1,543				1,543
	Chief Execs - Mainstream Projects						
175	IT - Ongoing Infrastructure Investment Programme	818	2,000	2,000	2,000		6,000
176	Investment to support ICT disaster recovery	1516					0
177	CRM/SAP	2025	2,275	1,500			3,775
178	Corporate Contact Centre	50	1,150				1,150
179	National Football Museum at Urbis - Adaptations		8,000				8,000
	Total Chief Executive's	**32,644**	**52,734**	**4,889**	**2,000**	**0**	**59,623**
	Corporate Services						
	General-						
180	Daisy Mill Improvements - Substation		500				500
181	Demolition of Unsafe Buildings	42		50	50		100
182	Manchester Central	10089	8,000				8,000
183	Land assembly - land adjacent to manchester central		1,300				1,300
	Programmes-						
184	Acquisition of The Hive, Lever St, Manchester	2941					0
185	Corporate Asset Management Programme (AMP) and Disability Discrimination Adaptation (DDA) Works	12549	12,157	10,000	10,000		32,157
186	Daisy Works Refurbishment		454				454
187	Disabled Access for Employees - Aids and Adaptations	74	30	30	175		235
188	Manchester's Integrated Care and Recording Environment (Micare)	42	122				122
189	Ongoing Liabilities of Completed Compulsory Purchase Orders (CPOs)	30	30	30	30		90
190	Town Hall Complex	19754	22,092	47,341	43,460	27,584	140,477
191	IWHC	462		248			248

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
192	First Street - Macintosh Mill	1800					0
	Total Corporate Services	**47,783**	**44,685**	**57,699**	**53,715**	**27,584**	**183,683**
	Neighbourhood Services - Environment & Operations						
193	Emergency Control Room		220				220
194	Gorton Cemetery Chapels Demolition	8					0
195	Mercury Abatement Phase 1	64					0
196	Mobile Working in Regulatory & Enforcement	30	148				148
197	Pavilion Green Roof Piccadilly Gardens	160					0
198	Relocations within Longley Lane Waste Management	675					0
199	Waste and Recycling Improvements	2810	350				350
200	East Manchester CCTV Transmissions	73					0
	Total Neighbourhood Services - Environment & Operations	**3,820**	**718**	**0**	**0**	**0**	**718**
	Neighbourhood Services - Trading						
	Markets-						
201	Church St Market Redevelopment	265					0
	Total Neighbourhood Services - Trading	**265**	**0**	**0**	**0**	**0**	**0**
	Cultural Services - Libraries						
202	Longsight Library Refurbishment	2102					0
203	New Beswick and Brookway Libraries	1975	900				900
204	The Powerhouse Library Refurbishment	894	25				25
	Total Cultural Services - Libraries	**4,971**	**925**	**0**	**0**	**0**	**925**

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
	Cultural Services - Manchester Galleries						
205	International Centre for Excellence in Fashion and Textiles - Equipment	100					0
206	Manchester Art Gallery	142	10				10
	Total Cultural Services - Manchester Galleries	**242**	**10**	**0**	**0**	**0**	**10**
	Cultural Services - Manchester Leisure						
207	Alexandra Park Heritage Refurbishment and Restoration	32					0
208	Bignor Street - New Multi Use Games Area	61					0
209	Cheetham Parks (s106) - Fencing and Essential Works	78					0
210	Diseased Manchester Poplars - Felling/Replacement	35					0
211	Fencing, Infrastructure CCTV	140	240				240
212	Gorton Baths Demolition	20					0
213	Skateboarding / BMX in Parks	50	130				130
214	Heaton Park & Boggart Hole Clough - Playground Provision	17					0
215	Heaton Park Boundary Walls	65					0
216	Hough End Improvement Scheme	160					0
217	Marie Louise Gardens Refurbishment	80	80				80
218	Platt Fields BMX	2					0
219	Tennis Courts	63	108				108
220	Velodrome - Replacement Emergency Lighting Batteries and Lift Repairs	23					0
221	Velodrome Programme - Track Replacement	12					0
222	Woodhouse Park Replacement Community/Youth Facility	76					0
223	Wythenshawe Park Heritage Exhibition (Phase 1)	24					0
224	Greenbank Fields Improvement Scheme	41					0
225	Ronald Johnson Playing Fields	130	1,370				1,370
226	Parks Pathways Refurbishment Programme	190	190				190
227	New Multi Sports	90	90				90
228	Wythenshawe Stables Phase 2	0	250				250

Budget Reference Number	Monitoring Commitments Programme / Project	Latest Forecast Spend 2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total Spend £000
229	Cavendish Road Park Improvements	25					0
230	Alexandra Park Improvements	24					0
231	Free Swimming Initiative	69	68				68
232	Chorlton Water Park		34				34
	Total Cultural Services - Manchester Leisure	**1,507**	**2,560**	**0**	**0**	**0**	**2,560**
	Totals EPCS	**91,232**	**101,632**	**62,588**	**55,715**	**27,584**	**247,519**
	GRAND TOTAL	**360,907**	**449,279**	**208,771**	**81,334**	**27,584**	**766,968**

APPENDIX B

MANCHESTER CITY COUNCIL

CAPITAL STRATEGY

2010-2013

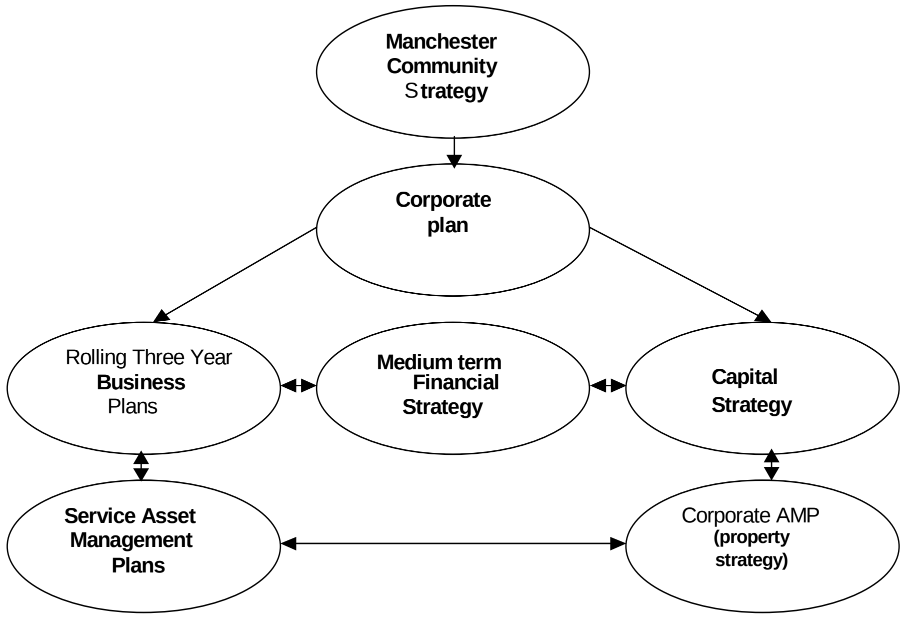
CONTENT

1. CAPITAL STRATEGY

1.1 Background

This document updates the previous version of the Capital Strategy Report and shows how the capital investment programme is prioritised and delivered to support the strategic objectives of the Manchester Community Strategy and the corporate objectives of the City Council. Both the corporate property strategy and asset management plan continue to provide a focus for investment and the programme is influenced as ever by rolling three year business plans and the outcomes of revenue budget planning.

The process can be illustrated in the following way:



1.2. Strategic Overview

Over the last 10 years the Council and its partners have made major advances in pursuing the agenda for regeneration. Many areas of the city that suffer from acute economic and social deprivation have undergone a transformation to substantially improve their future prospects and long term sustainability. The Commonwealth Games gave a further stimulus to investment and development enhancing the city's reputation worldwide. At the same time, the city centre has benefited from major investment in new attractions and facilities and has become a location where people increasingly choose to live, work and play. The airport, universities and other major economic assets continue to expand and develop underlining Manchester's prominence as regional capital of the North West.

Levels of investment remain high and the pace of change has quickened but much remains to be done. Alongside our successes there are neighbourhoods that continue to experience acute levels of deprivation, low skills, poor educational attainment, high levels of ill-health and crime in the context of a poor physical environment. The challenge for Manchester, for the next decade and beyond, is to further improve the quality of life for all residents, increase their overall social and economic prospects, and enable them to participate fully in the life of the city. The purpose of the capital programme and the equivalent plans of our partner agencies are to meet this challenge through coordinated programmes of capital investment.

The Manchester Independent Economic Review (MIER) was published in April 2009, commissioned by a range of partners including AGMA and the NWDA. The MIER is intended to inform policy and strategy development in relation to the economic future of the Manchester City Region. The key findings of the MIER helped to inform "Prosperity for all" –the development of the Greater Manchester Strategy which establishes policy direction for Greater Manchester (GM) over the longer term. The Greater Manchester Strategy sets out the Vision for the future "By 2020 the Manchester City region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region where the prosperity secured is enjoyed by the many and not by the few". The City Region pilot status has provided opportunity to establish a new governance and delivery framework for the GM with a new Executive Board and seven new 'commissions' to oversee key strategic activity such as Employment and Skills, the Environment and Climate Change, Housing, Planning, Transport, Health and Public Protection. The City Region governance structure will also provide the focus for the 'Single Conversation' between the Homes and Community Agency (HCA) and AGMA. A key objective being to agree a Local Investment Plan and Local Investment Agreement to guide future investment and intervention priorities in Greater Manchester for the next few years. To this end the Local Investment Plan covering the period December 2009 to March 2011 has recently been signed off and will provide additional GM context for our own Capital Investment Strategy and Plan.

Economic Conditions

The City Council is working with its partners locally, sub-regionally and regionally and with the government to try to give individuals, communities and businesses the best possible support through the economic downturn, ensuring we are in a good position to take advantage of the recovery when it happens. This means taking a flexible, tailored, responsive approach, which changes as circumstances allow; whilst retaining focus on our long term vision and key objectives. This includes working closely with the Homes and Communities Agency to support regeneration and the housing market. Flexibility needs to be retained within the Capital Strategy to enable the council to continue to pro-actively respond to pressures including the risk that private sector building activity remains slow. A Site Appraisal Group has been looking proactively at sites and considers most apt interventions to progress. This work covers National Affordable Housing Programme schemes, Housing Market Renewal schemes, key regeneration initiatives and market schemes and prioritised support through an options appraisal process. We have this year been successful in attracting 'kickstart' monies from the HCA, to help stimulate development at Maine Place, a strategic regeneration initiative, which will mean work on site will commence early in the new year. We continue to work with the HCA, developers and partners to look at all potential packages to stimulate development on our key sites.'

There is also a direct impact on the amount of resources available to finance the capital programme. The Council continues to receive reduced capital receipts from sale of its land, due to low land values and an absence of purchasers as a result of the depressed market. We have responded to this situation by deferring some sites until there is market recovery and will be putting effort into getting sites and properties ready to bring to market at the appropriate time. The City Council has implemented a funding strategy to protect capital receipts so that the only disposals are ones where best value is achieved or where they are a key driver for regeneration. The use of prudential borrowing powers will be essential during this period to bridge the gap until the receipts can be realised. Where appropriate and prudent to do so we have progressed some acquisitions of land/property to take advantage of the market and where such acquisitions can further our strategic priorities.

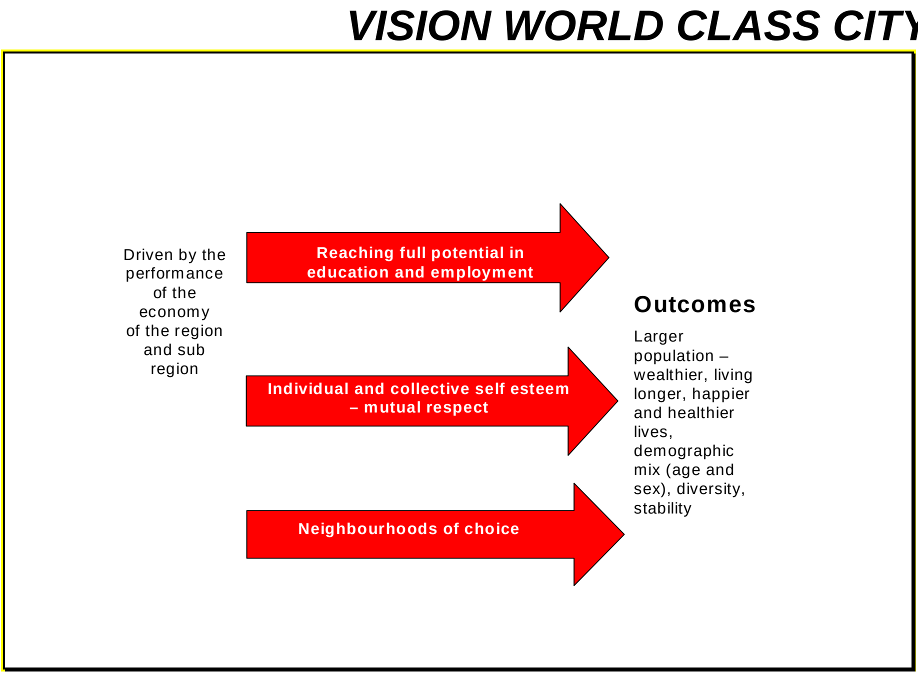
1.3 The Sustainable Community Strategy

The Manchester Way is the Sustainable Community Strategy 2006 to 2015 which has been produced by the Manchester Partnership (Manchester’s Local Strategic Partnership). It is delivered through actions that will benefit everyone who lives, studies, works in, or enjoys our original modern city. It will improve Manchester’s economic, social and environmental fabric.

The Manchester Partnership brings together the key stakeholders from the public, private, voluntary and community sectors. The Community Strategy sets a vision of Manchester as a world class city. By world class we mean that by 2015:

- All areas of the city will benefit from the city’s success, every neighbourhood will be included.
- Manchester people will be wealthier, live longer, be healthier and enjoy happier lives.
- Children and young people will be safer, more resilient and fulfilling their potential.
- There will be more working families.
- Six out of ten homes will be owner occupied.
- Productivity (Gross Value Added per head) for Manchester will be greater than the UK average.
- Manchester will be in the top 10 of European business cities. Our population will have increased to 480,000

The vision will be achieved by delivering the three spines of the Strategy:-



The priorities within each of the three spines are set out in Manchester's Local Area Agreement. This agreement with Government sets the performance targets for the city until 2011/12. Through the enhanced integrated business and budget planning approach in 2009, specific priorities within the three spines have been identified as key areas of focus for all City Council Service Business Plans:

- Economic Growth
- Worklessness and Skills
- 0-5 years
- Housing
- Neighbourhoods
- Environmental Strategy – The Green Agenda

In addition the City Council has developed a corporate improvement framework which draws together the key enabling strategies to drive the most effective and efficient use of all resources. The Corporate Improvement Framework includes:

- People Strategy
- AIMS
- Customer Focus
- Neighbourhood Focus
- ICT and Information Strategies.

The Capital Strategy needs to embrace processes that

- ensure the efficient use of resources,
- achieve maximum value for money,
- are efficient and deliver more for less.

It is important to recognise how capital investment in areas of deprivation can contribute to increasing skills and economic productivity and reducing deprivation and dependency.

The City Council's role is to provide the leadership to enable all private, charitable, voluntary, statutory and non-statutory bodies to achieve the Community Strategy objectives. Regeneration capital projects are particularly important to this process and they are guided by Strategic Regeneration Frameworks for each district of the city. Much of this joint working has an area-based focus and a separate performance plan is published for each ward annually.

The City Council also works with a range of public and private sector partners such as the Association of Greater Manchester Authorities (AGMA), the North West Development Agency (NWDA) and Homes and Communities Agency (HCA).

1.4 Corporate Asset Management Strategy

Strategic asset management is the holistic management of property as a key corporate resource'[1]. It has its roots in the highest level of strategic decision-making and aims to maximise the contribution of property to service delivery and financial returns. Therefore buildings should no longer be seen as fixed assets 'owned' by different departments, but as flexible resources that can be aligned to service delivery and community goals, and deliver efficiency savings.

The Council has a corporate objective for enabling major service delivery transformation that will provide greater focus on frontline services. The implications of this are radical and far-reaching and will require long term plans for investment in property assets.

In helping to deliver the programme of transformational change, the **Asset Management Plan (AMP)** sets out how the Authority will strategically manage its properties for optimum asset management. At a time when most Services still have property portfolios that are struggling to meet their own needs, the AMP establishes key management practices for deciding how these portfolios can be rationalised, improved, and better reflect the needs of Services and their customers. The most important of these practices are explained below:

Corporate Landlord

In April 2009 the Council changed to a Corporate Landlord system whereby all Council properties (except houses and schools) reverted to the 'ownership' of Corporate Property. Dedicated property advisors liaise with building managers and service heads to establish their overall property needs and any maintenance issues with respect to specific buildings.

[1] RICS Local Authority Management Best Practice (2008)

This role will shortly include co-ordinating the Council's approach to Planned Preventative Maintenance (PPM), and another aim is for services to sign notional tenancy agreements and pay notional rents for the properties they occupy. Corporate Property would then be acting as a true landlord in almost every sense.

The Corporate Landlord approach is recognised as best practice in Beacon AMP Authorities by the Audit Commission and will provide a number of key benefits:

- It allows Corporate Property to have a strategic overview of the Council's overall property needs and a unique position to advise on property decisions. For example, where different services could potentially share the same properties, this would allow other properties to be disposed of, thereby delivering service benefits and efficiency savings.

- Maintenance needs can be prioritised across the whole Council, thereby ensuring that the most serious repairs affecting the most critical services are fast-tracked for maintenance spend.

- It is easier to deal with legal compliance issues such as asbestos, DDA, fire safety, Legionella, as well as PPM, at a corporate level.

- Removing property responsibilities from services will allow them to concentrate on their core business, avoid duplication in property management, and ensure a consistent corporate approach,

- Ultimately the Council will benefit from more efficient services and better maintained properties, improving customer satisfaction.

Community Hub

Following the development and adoption of the Councils Community Strategy and more recently the Community Focus Strategy which directly looks at the way in with the council will work towards supporting communities and neighbourhoods to ensure they have access to appropriate services for their local needs, Corporate Property have been asked to investigate the viability of community hubs as a sustainable way to organise community facilities and services.

The City Council through Corporate Property and Neighbourhood Services are considering new ways to deliver services and facilities to better address community needs as part of the councils transformation programme. As part of Corporate Property's work on area asset management, progress has been made in identifying current facilities throughout our city and some of the issues affecting service delivery include physical barriers to collaboration, lack of integration of services, difficulties with access, fragmentation and unsuitable and outdated facilities.

The development of a network of Community and Neighbourhood Service hubs across the city will be an opportunity to continue supporting the objectives of Manchester's Community Strategy, the Customer Strategy, Customer Service Implementation Programme especially in the areas of delivering Neighbourhoods of Choice by bringing together services, community and voluntary groups therefore enabling residents to have easy and effective access to a local facility which enables them to meet, access services, organise local events thus encouraging residents to feel empowered and able to influence and contribute to the way their communities are run.

The development of community hubs across the city will lead to the concentration of activities which will serve the needs of a particular neighbourhood. The community hub should provide an appropriate mix of services to address the needs of the individual community. However, we also need to ensure that the individual buildings are fit for purpose and sustainable, with appropriate management and governance arrangements. A high level review of current facilities across the city by Corporate Property, ward-coordinators and the regeneration teams has identified that many of our communities and neighbourhoods are already well served by a variety of community hubs; however, there are clear gaps in certain areas.

AMP funding, and resources returned from the Wythenshawe Forum Trust will be used to pump prime the development of community hubs into self sustaining assets that meet the needs of the local community.

AMP Repairs Programme

This Programme has been running since 2006, and £22m has already been spent on bringing key Council buildings up to the required standard of repair. The Asset Management Programme currently provides an annual £10m budget to deal with backlog maintenance and other essential works on properties covered by Corporate Landlord.

The AMP Manager and property advisors prioritise repairs based on the outcomes of condition surveys, DDA inspections and fire risk assessments that have been undertaken on the buildings. Those buildings which have the most serious repairs, have breaches of legal compliance, and are most important for service delivery, have been given highest priority.

The AMP Board has been created to ensure that the programme of works is aligned throughout the process, with working groups set up that report into the AMP Board. The creation of the AMP Board has ensured that a single resource manages the review, design and subsequent works and review stages, allowing a consistency in quality and the achievement of best value. The City Treasurer is appointed as the senior owner of the AMP Board, and members are regularly updated.

The Asset Management Programme continues to address priority repairs and statutory health and safety requirements, but has also recently started working with Energy Management to help deliver the carbon reduction targets. By specifying low carbon options on boilers, lighting and other maintenance items, it is hopeful that AMP can play a major role in achieving the Council's goal.

Data

Corporate Property is collating property running cost information in order to benchmark with other authorities. There are a number of benchmark schemes such as the National Property Performance Management Initiative (NaPPMI) and the National Audit Office's Value for Money (VFM) Indicators.

By highlighting the performance of properties on issues such as energy use, staff per square metre, and repair costs, this will highlight the most inefficient properties that can then be earmarked for either improvement or disposal.

1.5 Environmental - Green Agenda

In November 2009 the Council approved the city's stakeholder climate change action plan Manchester – A Certain Future: the Manchester Board approved the plan in January 2010 and many other organizations are expected to follow.

The plan sets out a vision for Manchester as a low carbon city, integrates with the Community Strategy, the Greater Manchester Strategy and the plans of the AGMA Commissions. It emphasises the need for change, the opportunities associated with the city being an 'early adopter' and the collective actions needed to achieve major change by 2020. The actions focus on two headline objectives: reducing the city's CO_2 emissions by 41% and changing culture so that low carbon behaviours are embedded in the lifestyles and operations of organizations and individuals throughout the city.

The Council will complete its own Delivery Plan by September 2010. This will detail the role of the Council in delivering the action plan across the city as well setting direction, structure and targets for all Council services to meet its own overall 41% CO_2 reduction and culture change targets by 2020. The Communities Secretary announced in January 2010 that Manchester would be one of the nine local authorities that will work with Government over the coming twelve months to pioneer and test new local carbon frameworks.

A start will be made through an initial short term plan to reduce emissions from the Council's buildings by 10% during 2010/11. This plan will incorporate a programme to stimulate awareness and behaviour change in staff and building users as well as actions on buildings through the Asset Management Programme. Working with Energy Management, this will specify and implement low carbon options on refurbishments, repairs and heating and lighting systems.

The development and implementation of Manchester – A Certain Future by 2020 will require substantial investment and the integration of low carbon goals and design into all future programmes. Aspects of the plan that will form an increasingly important component of capital strategy and include:-

- **Retrofitting existing buildings**. - new buildings will be expected to meet high environmental standards, but improving the performance of existing stock is high priority.
- **Energy generation and distribution.** - to manage production and consumption and the creation of a city-wide infrastructure for distributing and sharing heat and power.
- **Transport Programmes** that improve the infrastructure and provision of public transport and the promotion of low carbon mobility.
- **Green Infrastructure Programmes** that recognize the importance of green spaces to provide urban cooling, flood protection, biodiversity and recreation

as well as meeting increasing demand for the production of biomass and local food growing.

These aspects of the plan are already beginning to form key drivers in the major programmes for regeneration in the City Centre, Oxford Road Corridor, Manchester Airport and New East Manchester as well as informing Strategic Regeneration Frameworks.

1.6 Major Programmes

The capital programme comprises a range of projects designed to support the Council's corporate and strategic objectives. Increasingly, these projects have been grouped into programmes of work to improve coordination and to optimise the use of external funding streams. A number of these programmes are being managed corporately to prioritise investment across the Council and to achieve efficiency gains through a joined up approach to procurement. Given the size, scale and diversity of the challenges that confront the city, the difficulty of translating programmes agreed at a city level to drive forward the regeneration of the core of the City Region into local neighbourhood interventions has been overcome in Manchester by the establishment of Strategic Regeneration Frameworks (SRFs).

The SRFs have been established at a "sub-city" or district level and, with five Strategic Regeneration Frameworks and the City Centre Strategic Plan, The Frameworks set out a broad vision and objectives for each part of the city aligned to the Community Strategy and are designed to create places where people want to live, work and invest and to therefore articulate objectives and priorities and to guide investment most appropriately.

The frameworks are the cornerstone of delivering the holistic, joined up interventions needed to support the regeneration of the city and the creation of successful neighbourhoods within it. Our major capital programmes as set out below are rooted within the SRF's - and the Local and Ward Plans that support them – and underpin the delivery of our ambitious regeneration agenda.

The frameworks also set out the opportunity to work closely with partners, integrating our capital programmes in a spatial dimension to produce greater economies of scale and better outcomes, for residents, partners and institutions. One such example is the Birley Fields development of a Community campus by MMU in Hulme. This project, over £150m of investment by partners including MCC, NWDA and HEFCE will deliver a new community campus fully integrated with the existing community of Hulme and accessible to them. It will also provide the catalyst for improvement in key regeneration outcomes such as increased participation in higher education, improved health and employment opportunities, cultural offer and all within a sustainable low carbon framework. This is an excellent example of integrated partnership working producing not just greater efficiencies but levering in social benefit for local communities.

The major programmes will be designed to deliver key regeneration priorities including developments in the City Centre, Oxford Road Corridor, Manchester Airport and initiatives within New East Manchester. The key priorities for New East Manchester are:

- Rebuilding the economic base
- Renewing the physical landscape so that it supports the development of a new economic base and new residential neighbourhoods
- Creating a competitive housing offer
- Championing the need to drive up educational standards
- Helping people who can work to work

These programmes will also need to incorporate Green Agenda and Sustainability priorities.

All these issues need to be considered when the capital programme 2010/11 is reviewed. It is essential that the capital programme addresses the key priorities for the next 5 years and that capital investment is planned with a locality focus making best use of our existing assets. Value for money must be achieved both in terms of the outcome of projects and financially through sound and effective project and programme management. The City Council must respond positively to the challenge to get the most out of the limited resources that are currently available. The review of the capital programme over the next three months should lead to greater efficiency, spatial focus and better integration (including with partners).

1.5.1 Housing

The City Council's Housing Service delivers services to both public and private sectors and, through the Corporate Housing Strategy, provides a major contribution to the Council's wider regeneration agenda. The Housing Strategy sits firmly within the Council's Community Strategy.

The planned capital budget for 2010/2011 to 2012/2013 continues to build on the core aims and objectives, which are to:

- Deliver quality and choice in the housing market
- Create safe and sustainable communities
- Reduce inequalities
- Deliver modern public services

The Government's Communities Plan required that all authorities should determine, with tenants, how they would achieve the decent homes standard. If the authority's own resources were insufficient to achieve the standard, then a plan was required to demonstrate how this to was to be delivered. In Manchester, this plan has developed into the Housing Investment Options Strategy, which to date has delivered Northwards Housing Trust (NHT), the City Council's Arms Length Management Organisation (ALMO) and three major stock transfers to new local housing companies, (Parkway Green Housing Trust, Southway Housing Trust and City South Manchester Housing Trust. The completion of the transfer of the East Manchester properties to Eastlands Homes took place March 2009 and a ballot of tenants in West Gorton will be held in March 2010 with the aim of transferring 146 homes to Guinness

Northern Counties during 2010-11. Estates in Ardwick (660 properties) and Miles Platting (1500 properties) are being improved and managed using the Government's Private Finance Initiative and the aim is to use PFI funding to improve and manage two further estates in Brunswick (900 properties) and Collyhurst (1500 properties).

The public sector programme, mainly delivered by the ALMO, continues to invest in projects that will contribute to achieving the decent homes standard and maximise the energy efficiency of our properties – such as modern heating systems, the installation of UPVC double glazed windows, insulation, re-roofing, rewiring, and the modernisation of old and inadequate kitchens and bathrooms.

A review of the Northwards ALMO future options will continue into 2010/11 and Decent Homes will be delivered for this stock by the end of 2010/11. However the ongoing cost of maintaining the Decent Homes Standard is likely to exceed Government allowances through the MRA and there are a number of options being considered for the ALMO such as transfer, becoming self financing, continuing as is or bringing back to authority management. The latter two options are likely to result in an additional call on capital expenditure from the housing capital programme. No proposals can be finalised, however, until the Government completes its review of the Housing Revenue Account subsidy system which is due to be announced in February 2010.

The city's regeneration and place-shaping strategy is supported by the Housing Capital Budget. The programme focuses on improving quality and choice in the housing market, including access to affordable home ownership. Comprehensive area-based programmes of home improvement, targeted clearance, tackling empty properties and addressing problems with the private rented sector are delivered within the Strategic Regeneration Frameworks and Local Neighbourhood Plans.

With support from a variety of funding sources, including Regional Housing Pot and Housing Market Renewal Grant, the housing service also provides funding for home improvement agencies, improved energy efficiency in homes, and improved access to properties for people with disabilities.

At the end of 2010/11 the Housing Market Renewal Grant in its current format will come to an end. In preparation for this, a strategy of service re-configuration, re-prioritisation and streamlining has been carried out. This will ensure that the service delivers priorities within available resources. The Housing Capital Programme will also need to provide investment support, in later years, to complete the housing market restructuring objectives.

Funding to build 36 bungalows in North Manchester and 171 houses, apartments and bungalows in West Gorton has been secured through the Local Authority New Build programme (Rounds 1 and 2). Prudential borrowing secured by rental income will be used to match fund the Government contribution. The wider regeneration of West Gorton will be delivered in two phases, the first of which will be funded through resources identified in the capital programme.

The capital programme includes support for PFI projects in the form of acquisition of residential and commercial properties; council tenant homeloss and relocation; and 'tying in' works to former Right to Buy properties. The works are expected to enable investment leverage of over £1bn.

In preparation for the Single Conversation with the newly-formed Homes and Communities Agency (HCA) and given the fundamental changes described above officers will commence a strategic review of the programme to ensure that:

- we have a clear strategy to maximise all available sources of funding;
- resources support the key priorities of the Strategic Regeneration Frameworks, neighbourhood plans and strategic development areas;
- opportunities to maximize employment and boost the economy are progressed;
- supported Housing objectives will be delivered by the Extra Care initiative.

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1.6.2 Transport Investment and Services

The provision of transport has tremendous impact on the communities of Manchester. Well planned transport services contribute to the achievement of successful communities, healthier residents, more equality and social inclusion, sustainability and better local economies. Where transport fails, these aims, and those priorities set out in the Community Strategy and other key corporate documents, are put at risk.

The City Council's vision is to achieve

- a world class transport network;
- a network that allows all residents, businesses and visitors to access economic, learning and recreational opportunities across the city in a manner that is environmentally-friendly, safe and affordable.
- a greater understanding and engagement with the communities to deliver the requirements of the neighbourhood.

Strategies have been put in place to ensure that this will be delivered, including allocating resources across the LTP capital programme and effective use of funding available from the Neighbourhood Funding Strategy.

<u>Transport Strategy</u>

Manchester's transport strategy, policy framework and indicative investment programmes are set out in the Second Greater Manchester Local Transport Plan (LTP2) for the 5 year period 2006 – 2011. Which outlines the approach to transport planning being taken by the ten District Local Authorities and the Greater Manchester Passenger Transport Authority.

The prime objective of LTP2 is to accommodate the trips generated by the projected increase in jobs in the most sustainable way so as to improve social inclusion and protect the environment and enhance quality of life.

LTP2 builds on the First LTP period (2001-2006) and the longer-term vision set out in the Greater Manchester Integrated Transport Strategy (GMITS).

The key strands of GMITS are to:

- increase public transport trips to centres
- better facilities to encourage short journeys to be made by foot or by cycle and
- land use planning and regeneration strategies to minimise trips to out of centre locations.

The Second Local Transport Plan policy framework is founded on 'shared priorities' agreed between central and local government:

- delivering accessibility
- tackling congestion
- safer roads
- better air quality
- other quality of life issues

Our progress in these areas is measured by a Greater Manchester level regime of local transport performance indicators and ongoing District reviews of LTP2 strategy and investment programme.

The LTP objectives also contribute to delivering Manchester Community Strategy priorities set out in Manchester Local Area Agreement.

The Third Greater Manchester Local Transport Plan must be submitted to the Government by end of March 2011 in line with published statutory guidance. A process for managing the development of the Plan is underway. The Integrated Transport Authority has a duty placed on it to produce the LTP through consultation with the Metropolitan Districts and stakeholder engagement. There will be an overall country-wide summary plan, focussed on the Greater Manchester Strategy 20 year timeline, with a 3 year implementation programme for each District area.

The annual Local Transport Capital funding for Manchester will continue to deliver a comprehensive investment of improvements to the transport network and neighbourhood district centres, including work on the carriageways, footways, street lighting, bridge strengthening and waterways.

Headline transport priorities include:

- Public transport led strategy
- Reducing casualties from road traffic collisions
- Improve quality and quantity of cycling and walking facilities and routes to encourage the modal shift towards these modes of transport.
- Delivery of the South East Manchester Multi Modal Study (SEMMMS) implementation plan to address pressures on the transport network in the southeast area of the city region
- Maintenance of highway assets including bridges and footways
- Rationalisation and enhancement of signs within and around the city centre

- Introduction of safer and more efficient traffic control systems to replace obsolete traffic control equipment
- Effectively managing the transport capital programme and meeting LTP2 and local targets
- A focus on delivering solutions to Neighbourhood issues by being reactive to complaints and requests by members of the public and Ward Members.
- Continued development of the Transport Strategy for Manchester City Centre and funding package

Transport Fund

In May 2009, the government announced an accelerated transport package for Greater Manchester which will see further extensions to Metrolink lines, a Cross City bus package, and investment in additional park and ride sites. This will be worth approximately £250 million between 2009-10 and 2013-14. In addition to this accelerated package, AGMA has agreed a Greater Manchester Transport Fund prioritising public transport and highway schemes, representing a further investment of around £1,250 million (2009-10 to 2016-17). The overall programme is estimated to create over 20,000 jobs and is an important step in the development of the overall strategy, which will help Greater Manchester's economy develop over the next 5 to 10 years. The fund combines the Regional Funding Allocation assigned to Greater Manchester with ring fenced contributions from the ITA levy, a ring fenced share of the Integrated Transport Blocks Local Transport Plan monies, scheme revenues and existing known third party contributions.

Highways

The Council currently maintains 1,380 kilometres of highways and 1,962 kilometres of footpaths. A review of the levels of funding required to adequately support the Highways Network has been carried out. This has identified a need for further ongoing capital investment, both to stop the network deteriorating further and to provide more effective maintenance work to improve its condition thus reducing the number of complaints and of accident trips. This will require additional ongoing investment of £1.6m per annum. There will be a return on this investment through avoiding a substantial increase in reactive maintenance and backlog repair costs should the network deteriorate any further. Further capital investment would be required to deliver substantial improvements to the network and to improve its asset life. However it is believed the investment proposed delivers the optimum benefit in the resource constraints we are operating to. Further investment can be included if and when additional resources become available.

Neighbourhood Funding Strategy

Neighbourhood Funding Strategy funds are being used to deliver a range of community driven works that have been developed in close liaison with the Ward Coordinators.

Asset Management Plans

We are undergoing a review of the service level frameworks as part of a wider corporate review through the Manchester Improvements Programme. Transport Services has undertaken the development of a Highway Asset Management Plan (HAMP) to inform maintenance policy and investment decision making.

The scope of this work will be broadened to produce a Transport Asset Management Plan (TAMP), to reflect the network management duties now placed on the City and in recognition that transport infrastructure is the City's largest capital asset.

Highway Services Division will liaise with the other Greater Manchester Districts with a view to influencing the LTP3 bid for 2011/12 – 2016/17 to include the level of highway capital investment) identified in the HAMP. Given that the Council would be seeking a three fold increase in LTP funding at a time of increasing pressure on the Treasury, such a bid is unlikely to be funded in full.

The City has a PFI in place for the management, maintenance and capital replacement of our street lighting stock since 2004. The initial apparatus Renewal Programme involving the replacement of 80% of the lighting stock (41,698 lighting columns) was completed in 2009.

1.6.3 Children's Services

The Key Priorities are:

- BSF / Academies
- Investment in schools
- Sure Start
- Youth

BSF / Academies

The government's £45 billion initiative to transform the way that secondary education is delivered will provide capital funding to remodel or rebuild every school in the country over the next 15 years through the Building Schools for the Future (BSF)/Academies programme. Manchester is investing £216 million in its BSF Wave 1 Programme which includes the rebuild/remodel of 16 schools (9 secondary and 7 Special Education Needs (SEN) secondary schools) plus ICT investment at Wright Robinson College.

The £170 million Manchester Academies Programme is for six new Academies (seven buildings) to be opened across the City. The intention is that all six academies will be up and running by 2010. Four Academies, namely Manchester Enterprise Academy and Manchester Health Academy in Wythenshawe and Manchester Creative and Media Academies (boys and girls) in North Manchester will open in 2009. These academies aim to provide pupils with the qualifications and skills needed to make the most of future employment opportunities in the region's growth industries.

Manchester is preparing for a BSF Wave 4 Programme for over £100 million for a further 9 schools (5 secondary and 4 secondary schools/provision) plus ICT investment at Chorlton High School and Parrs Wood High School.

Manchester has therefore a combined Building Schools for the Future (BSF) and Academies programme with an estimated investment of £500 million in all the secondary schools.

Investment in Schools

Significant capital investment is earmarked for investment in other areas of service delivery for children via projects across the city to replace, extend and improve school facilities between 2009/10 and 2011/12 through the Primary Rebuilding Programme, the Manchester Partnership Programme and initiatives for extended schools and improved ICT provision. In addition individual schools receive funding for capital investment through the schools devolved capital programme.

Plans to provide Local Authorities (LAs) with additional funding were first announced by the then Chancellor in his 2005 budget statement, in the form of a Primary Capital Programme (PCP). PCP underpins a broad government objective of renewing at least half of all primary school buildings by 2022/ 2023. LAs will receive PCP funding on an annual basis and are expected to add it to other sources of capital to deliver locally determined programmes which will, over time, create primary schools which are equipped for 21st Century teaching and learning, which are at the heart of community sustainability and which put high quality children's services within reach of every family living in the City.

Through PCP, LAs are encouraged to develop a long term strategic approach to capital investment, by drawing together planning and funding for the pre school, primary, secondary and SEN/ inclusion aspects of provision. The Children's Plan and the primary/ secondary Strategies for Change will provide the pedagogical and organisational framework for capital investment to be used to support genuine transformation in education.

Devolved Formula Capital (DFC) is an amount allocated each year to primary, secondary and special schools to be spent by them on their priorities in respect of buildings, ICT and other capital need. Priorities are set at school level, but should have regard to planned expenditure in a local authority's asset management plan, or equivalent voluntary aided plan. Through the LA's partnership programmes, schools are able to use DFC to attract additional funding from the LA, to carry out larger/ more expensive capital projects. This joint funding approach benefits schools directly and ensures that LA AMP identified priorities are met.

Modernisation and basic needs funding is allocated once every three years to LAs by the DCSF, for use in delivering strategic objectives identified through the AMP process (e.g. bringing accommodation up to date to help improve standards of achievement) or through school organisation reviews (e.g. to provide additional places). Modernisation is allocated to LA’s on a formula basis that takes into account both building need and pupil numbers. It can be joined up with any other resource available to the LA which can be spent on capital, and is used in accordance with each LA's asset management plan.

Sure Start

Phase 2 of the Sure Start Children's Centres capital investment programme was completed in March 2008. A further phase of capital investment for Sure Start of almost £2m was secured for 2008/09 to 2010/11 and proposals have been drawn up and prioritised accordingly. This programme is being delivered alongside the Quality and Access (Q&A) Programme for which capital resources of over £6.5m for public and private sector providers have been made available by Government over the same period. The Q&A grant is to be used to:

- Improve the quality of the learning environment in early years settings to support delivery of the Early Years Foundation Stage (EYFS), with a particular emphasis on improving play and physical activities; and ICT resources.

- Ensure all children, including disabled children, are able to access facilities.

- Deliver the extension to the free entitlement offer for 3 and 4 year olds including increased flexibility for take up of the offer by meeting needs for additional space or facilities this may create.

The LA has the duty to administer the grant but the majority must go to the private, voluntary and independent (PVI) sectors. A three-year capital plan includes planning for this grant and includes some improvements to Children's Centres across the city where they meet the conditions of grant. The expenditure is monitored through DCSF.

The process of joining up planning and funding across sectors is already taking place, and programme established. As part of Phase 2 Sure Start Children's Centre programme, Primary and Sure Start funding have been joined up, to deliver a brand new, fully integrated 420 place primary school, with a 60 place nursery and a Sure Start facility. Immediately adjacent is a brand new health facility, funded by the Health Authority.

Youth

The Youth Capital Fund is part of the Government initiative relating to Youth Matters. Manchester has been allocated £298k per annum for 3 years. It complements the overall objectives of the Children's Services accommodation strategy and furthermore encompasses the Children and Young People's Plan. The Youth Capital Fund will enhance and facilitate proposals submitted from young people themselves under the Youth Opportunities Fund (£519k for 2008/09 and £694k per annum for 2009/10 and 2010/11). This unique project offers opportunities for young people to develop and enhance provision for their use. Young people aged 13 - 19 years old are able to apply for these funds and more importantly the allocation of the funds will be decided by them through a managed process. Young people will be able to bid for a range of projects. These projects could involve sports, drama, IT and website development, refurbishment and enhancement of existing provision for young people.

Importantly, these projects will be determined by young people themselves, therefore meeting the outcomes of Youth Matters.

In addition to this, further capital funding of £452k has been allocated under the Youth Capital+ scheme. This will be used to develop youth facilities in Newton Heath and as stated above this has been done in conjunction with the youth in the area.

1.6.4 Neighbourhood Services (excluding Highways and Private Sector Housing)

Neighbourhood Services are responsible for delivering high quality, locally responsive and coordinated services including Environmental Services, Regulation and Enforcement, Private Sector Housing, Trading Services and Library and Leisure Services. The key aspiration for the service is to deliver:

- Safe and clean local neighbourhoods
- Neighbourhoods that residents feel part of and proud of
- Vibrant and dynamic City Centre for both residents and visitors.

The Council's Neighbourhood Funding Programme identifies the capital and revenue investment priorities in local communities identified by elected members. The pilot Neighbourhood Funding Strategy (NFS) was launched in July 2007, with the following objectives:

- to support the ward representative role of elected members in influencing the whole of budgets through ward co-ordination; and

- to enable neighbourhood priorities to be reflected in mainstream budgets and business plans.

The scheme applies to all Council services and partnership activity relevant to neighbourhood priorities.

1.6.4.1 Cultural Services

Within the Cultural Services' portfolio of buildings and land are a significant number of the city's most treasured heritage buildings, parks, heritage listed furniture and artefacts. The challenges of major schemes of restoration and refurbishment have had to be set against other priorities to provide modern, relevant services in local communities including new libraries, sports and leisure facilities.

Significant partnerships, most notably with the Leisure Trust, Sport England and MANCAT (now Manchester College) have ensured that City Council investment has been significantly enhanced by external funding secured through such partnerships. New sports and leisure provision, new and refurbished library services have been delivered as a result.

<u>Leisure Services</u>
Leisure services are responsible for the strategic and operational management of indoor leisure (through a number of Trusts) sports development and sports events, community activity, parks and outdoor leisure facilities. The service makes a strong contribution to the City's priorities through the delivery of a clear sports and physical

activity policy that gives every child and adult the opportunity to become involved in sport, play and healthy lifestyles and a parks strategy that strives to provide safer and high quality neighbourhood spaces for people to own and enjoy.

Leisure Services' proposed capital programme 2010/11 and onwards will support the continued physical and visual development of parks and sporting facilities in the City, which aligns and assists with the delivery of department's key business plan objectives.

Leisure's capital programme priorities are as follows:-

- Restoration and infrastructure improvement
- Parks and Playgrounds
- Sport/Visitor Facilities
- Allotment Provision

Leisure Services also support a cross departmental approach to deliver corporate projects such as the BMX/Velopark development in Sportcity and Heaton Park. Recognising that high quality parks and green spaces, play / youth areas and allotments which offer diverse and sustainable community leisure activity programmes, are key to creating sustainable neighbourhoods of choice, particularly in areas of the highest deprivation where residents have most to gain from participating in healthy social activity.

In line with the early intervention policy agenda the service is increasing a focus on offering family orientated leisure opportunities that improve the Every Child Matters life outcomes of young children. Investment into park infrastructure improves functionality and promotes access to play areas and activity in parks or local spaces, which will be further enhanced through Leisure's capital programme. Works carried out within the programme will enable training, apprenticeship and volunteering opportunities within parks and events, contributing to the Worklessness agenda for local people.

The restoration and active conservation of a locally important site such as Alexandra and Heaton Park will raise the profile and status of the park and with improved user attractions will increase tourism and therefore benefit the local economy, regeneration of the park will also improve the surrounding local neighborhoods' contributing to the local housing market and change local and visitor perceptions in a favourable way. Ongoing investment through the capital programme in the city's parks have seen the numbers of parks awarded Green Flag status grow from one in 1999 to 29 in 2009; more than any other local authority in the country.

<u>Library and Information Service</u>
The Library and Information Service delivers a wide range of leisure, cultural, learning and information services and opportunities to residents, businesses and visitors. The service seeks to build on the transformational change delivered over the past five years modernising the library estate through a programme of refurbishment and new buildings. The City's library strategy outlines an ambition to, 'replace every community library in the City within five years as well as a major refurbishment of Central Library and the Archive Service'. The strategy proposes a citywide District

model with a range of district, community and smaller outreach libraries in each district, underpinned by the knowledge and expertise of Central Library and a virtual web based 24 hour library. Libraries are to be co-located with other partners including health, The Manchester College, Academies, RSLs, MAES and the retail sector. Central Library is to be refurbished as part of the wider Town Hall Strategy to include the relocation of the Library Theatre and the creation of a world class archives centre.

Manchester City Galleries

Manchester City Galleries provides a leading Gallery service within the UK contributing to education, regeneration and tourism. Manchester City Galleries is responsible for a significant element of the City's Heritage assets including five historic buildings, collections valued in excess of £350m and the City's portfolio of Public Art and War Memorials. Its capital programme provides the necessary investment to support the delivery of Manchester City Galleries Business Plan objectives embracing support for the economy; 0-5 and worklessness.

The completion of the scope of Manchester Art Gallery Expansion Project in 2002 in particular the display and interpretation of the City's nationally significant collections, has enabled the Service to maintain the high quality Manchester Art Gallery site as a flagship city centre cultural venue with an international reputation for its programme and playing an increasingly important role in the cultural tourism offer for the City.

Heaton Park is an important resource for Greater Manchester and plays a key role in the regeneration of North Manchester and has the potential to contribute to the tourism economy as part of the wider Heaton Park offer thus generating jobs in a Regeneration area.

Capital or AMP investment to maintain and restore these historic buildings continue to be reviewed. The key priorities being:

- Heaton Hall - resubmission of the HLF application for capital investment in 2012/13
- Subject to condition survey a programme of works may be required for Manchester Art Gallery, Wythenshawe Hall, Albert Memorial and the Cenotaph to redress deterioration.

The Cultural Strategy team works across Council services and with external partners to increase opportunities for active participation of residents in order to achieve benefits for healthy living, social inclusion and resilience. In many parts of the city, opportunities for active participation are limited by the lack of venues and physical resources. The team is working with cultural and other partners including schools and academies to ensure that there is an appropriate infrastructure in place in neighbourhoods to enable local participation as well as improving links with facilities based in the city centre. The team supports some facilities such as Zion Arts Centre which is based in a Council owned building in Hulme. Future opportunities for capital investment in local facilities through lottery and other funds will be explored and there may be a requirement for Council capital funds to lever these.

Strategic Cultural Projects

Strategic Cultural Projects is a small specialist project delivery unit acting both at strategic and implementation levels. Its work directly contributes to raising the profile and economic performance of the city by delivering significant cultural development projects.

It is mainly concerned with the feasibility and delivery of major cultural facilities, often capital projects, and will often work alongside colleagues in the Regeneration division to deliver strategic initiatives, for example, the Manchester International Festival. It is responsible for all stages and aspects of a project from initial feasibility work, project definition and implementation, stakeholder engagement, internal and external, and ultimate financial accountability. Current scope includes projects to deliver the Royal Opera House, the National Football Museum @ Urbis and the proposed relocation of the Library Theatre Company to the Theatre Royal. The Team is also responsible for the Manchester Concert Hall Ltd (Bridgewater Hall) and the Millennium Quarter Trust (Urbis) and has indirect operating responsibilities for two of our most important cultural facilities. The team also advises and supports one off feasibility studies often with external partners in the cultural sector, liaising with Stakeholders such as English Heritage, the Arts Council and the Heritage Lottery Fund.'

1.6.4.2 Environment Services

Waste Strategy

Funding is required to finance the roll out of the waste strategy agreed by members following the extensive public consultation in 2008 to fund the purchase of the various types of waste containers required for the new service roll out.

The completion of capital investment to relocate buildings and workshops at Longley Lane enables the delivery of the PFI for GMWDA to provide enhanced waste disposal and recycling facilities.

Public Realm

The priority is to ensure that all our public open spaces feel welcoming and safe and will be delivered from:

- Investments by the Council and Partners continue to support the creation of safe and sustainable communities. Partnerships primarily with Red Rose Forest, Newlands and the NWDA have lead to investments which have resulted in significant improvements in previously poor quality, under used green space.
- Investments in the city centre public realm to upgrade our infrastructure.

1.6.4.3 Trading Services

The proposed capital programme 2010/11 to 2012/13 will support the continued physical and visual development of the City’s markets and cemeteries.

1.6.5 Adult Services

Adult Services -Capital Strategy

Adult Services are working closely with Housing Strategy in the development of the single conversation with the HCA. We are planning to develop new and innovative models of service delivery in line with key drivers to ensure vulnerable people receive personalised services and are given choices as to where they live.

Extra Care

Adult Services are currently working Housing Strategy, Department of Health and the Homes and Community Agency (HCA) to further develop Extra Care Housing across the city. This is in line with the strategy for Extra Care Sheltered Housing in Manchester, where Adult Social Care is seeking to increase the number of extra care schemes in the city in order to provide high quality housing options that will serve for the next 30 years. It is recognised that much of the current sheltered housing provision is in need of updating and that there is need for more specialist schemes especially those relating to dementia and memory loss.

The Department of Health has provided capital funding of £6.54 million for the development of a 91 unit extra care scheme in the north of Manchester. The capital is being used to convert high rise flats into a modern Extra Care scheme with one and two bed units, day services and a café. The scheme will be managed by Northwards once completed in 2011.

Adult Services are also working closely with partners on the following developments

- In partnership with Great Places on a 40 unit scheme in Blackley
- Retirement village with 90 units in Wythenshawe
- Manchester Women's Aid refuge
- Edward Mayes Trust former almshouses scheme in Ancoats
- Willow Park / Together Trust special needs scheme for learning disabled adults.
- Levenshulme in partnership with Great Places and City Care – a scheme for 10 people
- Manchester Women's Refuge new build scheme
- Manchester Learning Disability Partnership group living scheme
- Manchester Learning Disability Partnership to access new self contained accommodation

1.6.6 Transformation

The Directorate has integrated strategic priorities that are delivering transformational change through five key areas; the AIM Programme, Transformation Programmes within Directorates, the Customer Services Strategy, the Town Hall Transformation Programme and ICT.

The priorities for the Directorate of Transformation are centred on the Council's strategic outcomes that are associated with a neighbourhood focus strategy, interventions in years 0-5 of a child's life, reducing dependency and worklessness and improving both health and economic wellbeing. Each of the four areas of the Directorate will design, plan, implement and support integrated transformation in line with this agenda.

The key aim of DoT is to facilitate transformational change, ensuring that the organisation:

- Transforms the way services are provided, delivering leaner and more efficient services to Manchester Residents.
- Redesigns the workplace in order to enable Council employees to work in more modern and efficient ways, embedding behavioural change across the organisation.
- Exploits new technology to transform the way we interact with customers and improve service delivery.
- Delivers a cross-cutting approach to transformation, removing duplication, breaking down silos and adopting a 'One Council' approach to service delivery.

In order to deliver the above, the work of DoT is currently made up of a transformation portfolio that covers:

<u>Analyse & Improve Manchester (AIM)</u>

The Analyse and Improve Manchester (AIM) Programme sits at the heart of the Council's transformation journey. It is the AIM Programme that is undertaking a cross-cutting approach in supporting Directorates to deliver an improved customer experience, to realise efficiencies for reinvestment in Council priorities, and to ensure the delivery of the Corporate Plan and Community Strategy.

The AIM diagnostic has effectively enabled us to identify opportunities to simplify, standardise or share across the Council, driving out a "One Council" approach to improving services and achieving efficiencies. The outputs of the AIM diagnostic will now enable us to deliver a cross-cutting programme of work that focuses on realising savings and efficiencies across that Council that can be achieved by smarter ways of working, taking a joined up approach to service delivery, which is better supported by innovative technology. It focuses on reducing duplication across the organisation and enabling a leaner, 'One Council' approach resulting in a more efficient, value for money approach to cross-cutting initiatives.

<u>Transformation Programmes & Service Improvement Projects (SIP's)</u>

The current Transformation Programmes and individual SIPs focus on working with Directorates to transform and deliver leaner, more efficient, customer and neighbourhood-focused services. This work will significantly improve the way we do things by redesigning the way services work, equipping our staff with the right tools and skills to use new technology, ultimately delivering excellent services to

Manchester Residents. In line with wider strategic initiatives such as worklessness, 0-5 years, housing and neighbourhoods as well as the cross-cutting initiatives resulting from AIM.

Customer Services Strategy

The Customer Services Programme has been established to deliver the Customer Strategy which seeks to deliver substantial improvements to all customer access channels, and in doing so is enhancing the customer experience whilst reducing operating costs. This is being achieved through the implementation of key deliverables that include a Corporate Contact Centre, a Customer Service Centre, a single telephone number and a Customer Service Charter.

Our Customer Services Strategy has an essential role in supporting the delivery of our key priorities, including the Local Area Agreement, the Community Strategy and the Corporate Plan. The Customer Services Strategy will lead to better use of customer information, more customer-focussed service improvement, and more joined-up service delivery across departmental and partnership boundaries. This will support our ambition to ensure that Manchester Residents reach their full potential in education and employment, live in neighbourhoods of choice and enjoy individual and collective self-esteem.

The delivery of the Customer Strategy will run throughout 2010 to 2013, the first outcomes being the opening of a new a Customer Service Centre at One First Street and a Corporate Contact Centre, both in 2010. The implementation of a single telephone number for Council services will accompany the development of the Corporate Contact Centre. In parallel to these new developments and throughout 2010 - 2013, community access points will be created that will deliver customer services within the community which will reduce unnecessary travel and resolve issues at the local first point of contact. A key strategic outcome for the Customer Service Strategy is to encourage the ‘channel shift’ to more efficient access methods and in doing so achieve savings, improve the customer experience and, by increasing self-service, reduce dependency.

Town Hall Complex Transformation Programme (THCTP)

The Town Hall Transformation Programme is an ambitious programme with three key outcomes. Firstly, the Programme will see some of Manchester’s most loved buildings sympathetically modernised and restored. Secondly, the way in which services are provided to customers will transform, delivering efficiencies together with an excellent end-to-end customer experience, and improving outcomes for customers in line with the community strategy. Finally, the working environment for staff will be transformed; promoting behavioural change that will ensure there is an efficient, customer-centric back office environment together with an improved employee culture whereby the Town Hall Complex is regarded as a great place to work.

The Town Hall Transformation Programme will deliver throughout 2010-2013 and during this time, the implementation of the new Customer Service Centre will be backed by integrated customer processes, delivered by multi-skilled staff to ensure seamless front end service delivery. This will also include partnership working with organisations such as NHS Manchester, Credit Union and Job Centre Plus. A key outcome from this programme is the implementation of a modern open-plan office environment that drives improved communication, productivity and service effectiveness.

The Information and Communication Technology (ICT) Service

ICT is a key enabler in all of the Council's strategic ambitions and underpins the broad transformation programme.

ICT Service is undergoing its own radical transformation to ensure the necessary leadership, technology and skills are available. A centralised approach to managing ICT is essential to enabling the Council's strategic success and includes all aspects of people, processes, technology and funding. The priorities of the ICT service include the security of data, the stability of systems, service consolidation and the implementation of transformational technology.

The ICT Service will be developing strategic investment proposals that seek to strengthen the infrastructure and provide the technology that is necessary to underpin all aspects of transformational change. These will include a new ICT monitoring system that will enable preventative action to reduce the risk of service failure. The consolidation of the ICT Service will be accompanied by a profiling of staff to ensure they have the right technology available to them in terms of applications and hardware. Importantly the hardware and software will be consistent across the Council and will be managed through a rolling refresh programme to ensure the ICT estate remains modern, fit for purpose and allows for cost effective maintenance.

1.6.7 Capital Programme Funding Strategy

As a result of the recession the City Council implemented a funding strategy to protect capital receipts so that only essential disposals or ones where best value is achieved are completed. The City Council intend to use prudential borrowing to remove any uncertainty about capital resource availability subject to a ceiling amount based on affordability.

2. CAPITAL BUDGET OVERVIEW

2.1 The Capital Budget 2010/11 and onward commitments

The capital programme is designed to support the Council's strategy, aims and objectives by providing for new or improved services and other improvements. To deliver the programme however, the City Council must identify and secure enough resources to pay for each project in the overall programme. There is also a need to recognise that the Council retains sufficient capacity to address any capital investment requirements that have not yet emerged.

The planned programme 2010/11 to 2012/13 is estimated to cost £767million but may be subject to change due to the wide ranging review of the capital programme 2010/11 that will be undertaken during 2010. In recognition of the economic downturn strategic decisions have been made to revise the capital disposals programme and to cover any potential funding gaps by the use of prudential borrowing.

The budgeted spend in 2010/11 is £449,279,000. Resources available to fund the programme are expected to be:

Resources for 2010/11	**'£000**
Supported Borrowing	54,860
Unsupported Borrowing	111,094
Grants	257,657
Contributions	4,826
Capital Fund	13,816
Capital Receipts	6,946
Revenue	80
Total	**449,279**

The summary capital budget for 2010/11 is as follows:

Service Department	**£000**
Housing	75,656
Children's Services - Education	231,971
Children's Services – Children's Social Care	7,409
Adult Services	7,382
Transport	25,229
Chief Executive's (inc grants and regeneration)	44,734
Corporate Services (including corporate asset programme)	52,685
Environmental Services	718
Libraries and Theatres	925
Manchester City Galleries	10
Manchester Leisure	2,560
Total	**449,279**

2.2 Revenue Implications of Capital Investment

The Council has strengthened the links between capital and revenue by merging the budgetary process and timetable. Service delivery strategies and asset management plans identify the need for capital investment to help maintain and improve the quality of service to the public. Particular attention is given to the revenue implications of capital investment and are considered in the decision making process to ensure the long term affordability of capital investment proposals, including life cycle costs. The Gateway scrutiny system for capital bids ensures that any significant revenue implications are identified at Gateway 3 (formal capital budget bid request stage) and further checks are instigated at Gateway 5 immediately prior to project delivery. There is full budget provision for the revenue implications of the three year capital programme 2010/11 to 2012/13.

It is recognised that asset solutions are interchangeable between capital and revenue budgets, but obviously make demands on both.

2.3 Prudential Borrowing

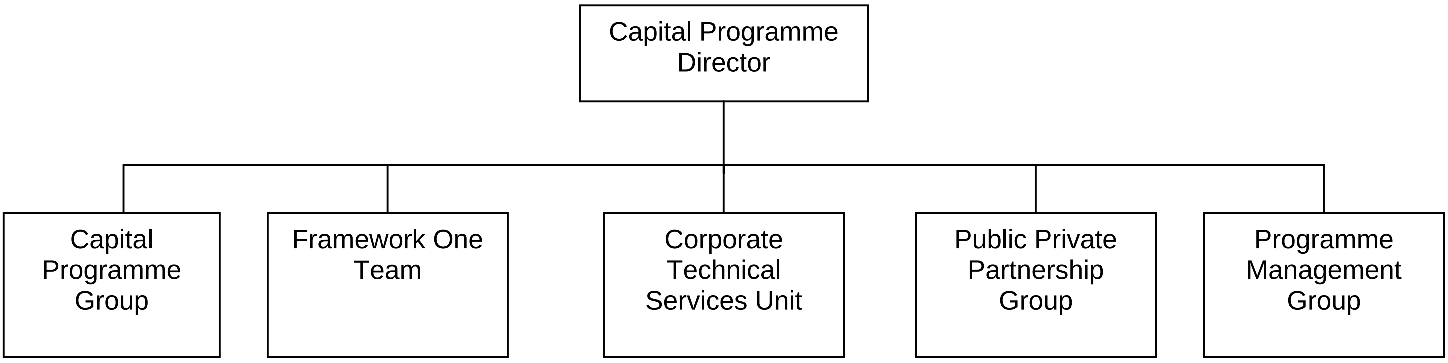
The Council has an option to undertake ‘prudential’ borrowing provided that the revenue costs of servicing the debt (interest charges and annual provisions for the repayment of the loan amount) are affordable both in the short term and long term. Prudential borrowing is advantageous for projects that generate savings or additional income greater than the annual cost of financing the amount borrowed (spend to save). It also offers an alternative source of finance for some of the Council’s outstanding investment needs – provided that the revenue costs of financing the loan are affordable.

The national economic downturn has required the City Council to consider the use of prudential borrowing to ensure that capital investment continues at the required level. There is adequate provision within the revenue budget to fully finance the proposed levels of prudential borrowing.

3. DELIVERING THE CAPITAL PROGRAMME

3.1 Organisational Change

Since 2002 the Council has introduced and promoted a new approach to management of its capital programme in order to achieve best value and bring greater surety to the delivery process. The Capital Programme Division leads in this approach and has an expanding remit covering strategic planning, procurement, partnerships and project/ programme management. The Capital Programme Director reports to the City Treasurer and is responsible for these services (illustrated below).



The Capital Programme Group continues to develop a strategy to support delivery of the programme through best practice and along side the strategy for procurement to achieve best value developed by the Technical Services Group and new reporting procedures to monitor overall performance. These are reviewed in the following sections.

3.2 Delivery Strategy (phases 1 to 5)

Phase 1
The Capital Programme Group's first major challenge was to introduce a generic process for delivery of capital projects based on best practice (Prince2) that could be adopted by all service departments. This approach is now known as the 'Manchester Method'.

The Manchester City Council (MCC) Project Management Handbook was first published in 2003; Version 4 of the handbook is now in draft which will include the integration of the Project Management System (PrISM). The training partner is at present QA Ltd and the courses remain popular. We are currently re-tendering the training provider via the OJEU process Many of the initiatives of The CPG have been implemented both on a regional and national basis.

Phase 2
Gateway provides strategic, operational and financial scrutiny of the capital programme including location appraisal. It embraces the project lifecycle from mandate to project closure and joins up existing appraisal functions involving the right people at the right time adding value to existing procedures. It is designed to

encourage early submissions to a review group (Gateway 1) and is followed by thorough project appraisal via a scrutiny panel (Gateway 3). Projects and programmes are also reviewed at completion to confirm effective closure and examine lessons learned (Gateway 6 and 7) Gateway is fully compatible with the MCC Project Management Method and consistent with the National Gateway process. The scrutiny process is intended to be flexible and will be expanded to include carbon accounting, benefits realisation post completion and enhanced asset management coordination on project closure.

Phase 3
The Project Management Software system was introduced to help manage the delivery of the capital programme. The first phase (PMS1) was rolled out to all service departments during 2007.
In 2008 work began on PMS 2 which includes an interface to the SAP system. The roll out of these enhancements will start in early 2010 PMS is to be re-branded as PrISM (Project Information System Manchester).

Phase 4
A core group of in house project managers have been trained to deliver MCC projects. The management of Phase 4 has now passed to the Head of Programme Management. However, the Capital Programme Group will continue to support development of initiatives.

Phase 5
In 2008 the Capital Programme Group introduced a new initiative to integrate phases 1, 2 and 3.The Gateway Review process is now fully embedded and is promoted as the backbone of the CPG strategy.

3.3 Value for Money and Procurement

The Council has responded positively to the efficiency agenda and the National Procurement Strategy. Its approach to procurement has been reviewed and where necessary refocused to achieve best value. The emphasis now is very much on coordinated programmes of work rather than a collection of separately managed projects.

Opportunities to deliver new investment via PFI and PPP agreements have also been embraced where this procurement route offers value for money. The Public Private Partnership Group based in the Capital Programme Division is closely involved in all such initiatives and leads on delivery of the BSF programme.

Selection of contractors is now firmly based on best value criteria rather than the lowest price tender returned. In addition, to improve the efficiency of the procurement process, a number of framework agreements are already in place. As a consequence there are fewer delays (especially in the context on construction frameworks) and 95% of capital projects now finish on time.

The procurement strategy has delivered significant cashable savings in a number of areas:

- **Construction Frameworks**: 1 – 2% saving per project relative to streamlined front end procurement process
- **New Primary Schools**: 6% saving on construction costs
- **Consultancy Frameworks**: commissioning process savings of approximately £2000 per project
- **Mini-Consultancy Framework**: commissioning process savings of approximately £1000 per project
- **BSF Programme**: 2% savings across Wave 1 and Academies through a combination of market savings and rebates from suppliers; plus a further 1% saving through capped price arrangements with major suppliers reducing the Council's risk exposure during rapidly rising markets.

In 2009 the Capital Programme Division completed a review of all its agency and consultant staff and their utilisation will be monitored and reported quarterly contributing to a corporate initiative on the use of consultants. The Division currently manages a pool of 20+ project delivery professionals which represents a considerable cost saving on previous years when such work was undertaken by external consultants. This approach is now tried and tested

Framework procurement has also delivered a range of non-cashable savings and quality improvements. For example: improved specifications, refined design briefs, standardisation of components across the estate, reduced programme times, increased reliance on off-site manufacture and improved relationships with third parties such as building control and planning.

The Council is seeking further improvements in quality and performance and the procurement team continues to work closely with the Centre for Construction Innovation based in central Manchester.

3.4 Supporting Social and Economic Objectives

Construction Public Sector Standard Frameworks bring added value in terms of their contribution to the Council's social and economic objectives and community benefit is embedded into the working practices of our construction partners. The Council's strategy and ethos is directed at influencing our partners attitudes and behaviour to secure locally beneficial outcomes. Examples of this are:

- Of £357m procurement spend across the top 300 MCC suppliers 86.5% is spent with organisations based in the Manchester City Region (source: report commissioned by MCC Corporate Procurement from the Centre for Local Economic Strategies)
- A quarter of this money is re-spent by our suppliers either on employees resident in Manchester or in procuring products and services from other suppliers based in the City (source: CLES report as above)
- Framework partners have appointed 63 apprentices, 36 with Manchester Working Limited and 28 through the 'Young People into Construction' initiative. The next step is to roll out the initiative across the Council and increase employment and training opportunities for Manchester residents.

3.5 Supporting the Green Agenda

Sustainability is a requirement of procurement. It is tested at pre-qualification questionnaire stage and confirmed in detail at the invitation to tender stage and subsequent supplier interviews. The Capital Programme Division is already working with framework partners to develop low cost design solutions supporting best value and the green agenda with a key focus on sustainable procurement and recyclable products.

The Division is working with the Green City Team to develop strategies and new initiatives to reduce carbon emissions in schools and council operated buildings in response to our mandatory Carbon Reduction Commitment. The Division is also working with other services such as Housing to scrutinise the sustainability of proposed projects.

The Council is collaborating with the University of Manchester to enhance the existing Gateway Review process to include all aspects of sustainability such as procurement, transport and the built environment. In addition the Division is offering technical and project management advice to the Green City Team to support the Climate Change Action Plan (Manchester, A Certain Future).

3.6 Monitoring Performance

In 2009 the CPG agreed to baseline their current performance against a national standard for organisational maturity in relation to the delivery of projects and programmes called the P3M3 model which is sanctioned and promoted through the Office of Government Commerce (OGC) as best practice. This approach dovetails into the Comprehensive Area Assessment (CAA) guidelines for improving performance. As a result of this baseline a new set of KPI's has been developed and will be reviewed in 2010/11.

3.7 Regional and National initiatives

The Council has a broad commitment to support and share information and best practice with other local authorities and government agencies in particular the Association of Greater Manchester Authorities (AGMA).

The Capital Programme Group continues to support the Right Track initiative which is an information and support service for all authorities in the North West region. The initiative is funded by the North West e-Government Group (NWeGG) and the North West Improvement Network (NWIN).

The Council is also an active participant in the work of the North West Improvement and Efficiency Partnership in its lead role in managing the North West Construction Hub. Currently three construction 'best practice' frameworks are being set up that will be available to the whole of the North West Public Sector.

ANNEX 3

Treasury Management Strategy Statement & Borrowing Limits and Annual Investment Strategy 2010/11

Purpose of Report
To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2010/11 and Prudential Indicators for 2010/11 to 2012/13.

Recommendations

To approve the proposed Treasury Management Strategy Statement :-

- The Treasury Indicators listed in Appendix A of this report.
- The MRP Strategy outlined in Appendix B.
- The revised Treasury Management Policy Statement at Appendix C
- The revised Treasury Management Code of Practice at Appendix D
- The Borrowing Requirements listed in section 4.
- The Borrowing Strategy outlined in section 6.
- The Annual Investment Strategy detailed in section 7.

1.0 Introduction

The Council's Treasury Management policy complies with the CIPFA Code of Practice on Treasury Management. This was adopted by the Council on 8 October 2003. In accordance with best practice, the City Treasurer has undertaken a review of the policy and is satisfied that the clauses contained therein are still relevant and complete.

The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code for Capital Finance in Local Authorities and to set Prudential 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 issued subsequent to the Act) (included as section 10); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The proposed strategy for 2010/11 is based upon the views of Treasury officers on interest rates, informed by leading market forecasts. The report covers the following:

- Treasury limits in force;
- Prudential Indicators;
- The current treasury position of the Council;
- Borrowing Requirement;
- Interest rate prospects;
- Capital borrowings and the portfolio strategy;
- MRP Strategy;
- Investment strategy.

A glossary of terminology used in this report is attached in Appendix I

1.1 The Revised CIPFA Treasury Management Code of Practice 2009

In the light of the Icelandic situation in 2008, CIPFA has amended the CIPFA Treasury Management in the Public Services Code of Practice (the Code), Cross-Sectoral Guidance Notes and Guidance Notes and the template for the revised Treasury Management Policy Statement. It is also a requirement of the Code that this Council should formally adopt the Code. As the Code has been revised, there is a separate appendix to this report where the Council is asked to adopt the revised Code (Appendix D) and the revised Treasury Management Policy Statement (Appendix C).

The revised Code has emphasised a number of key areas including the following: -

a) All councils must formally adopt the revised Code and four clauses
b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Council's treasury management activities.
c) The Council's appetite for risk must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out.
d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation.
e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.
f) Councils need a sound diversification policy with high credit quality counterparties and should consider setting country, sector and group limits.
g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.
h) The main annual treasury management reports MUST be approved by full council.
i) There needs to be, at a minimum, a mid year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved.
j) Each council must delegate the role of scrutiny of treasury management strategy and policies to a specific named body.

k) Treasury management performance and policy setting should be subjected to prior scrutiny.
l) Members should be provided with access to relevant training.
m) Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.
n) Responsibility for these activities must be clearly defined within the organisation.
o) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the Council (this will form part of the updated Treasury Management Practices).

This strategy statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy will be approved annually by the full board/council. In addition there will be monitoring reports and regular review by board members in both executive and scrutiny functions. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

This Council will adopt the following reporting arrangements in accordance with the requirements of the revised Code: -

Area of Responsibility	**Council/ Committee/ Officer**	**Frequency**
Treasury Management Policy Statement (revised)	Full council	Initial adoption in 2010
Treasury Management Strategy / Annual Investment Strategy / MRP policy	Full council	Annually before the start of the year
Treasury Management Strategy / Annual Investment Strategy / MRP policy – updates or revisions at other times	Full council	As and when necessary
Annual Treasury Outturn Report	Full council	Annually by 30 September reporting on activity for the previous financial year.
Treasury Management Monitoring Reports	Audit Committee	Annually by 30 November reporting on activity in the first 6 months.
Scrutiny of treasury management strategy	Resource and Governance Overview and Scrutiny Committee	Annually before the start of the year
Scrutiny of treasury management performance	Audit Committee	As and when necessary

1.2 Revised CIPFA Prudential Code

CIPFA has also issued a revised Prudential Code which primarily covers borrowing and the Prudential Indicators. Three of these indicators have now been moved from being Prudential Indicators to being Treasury Indicators: -

- authorised limit for external debt
- operational boundary for external debt
- actual external debt.

However, all indicators are to be presented together as one suite. In addition, where there is a significant difference between the net and the gross borrowing position, the risks and benefits associated with this strategy should be clearly stated in the annual strategy.

1.3 Revised Investment Guidance

It should also be noted that the Department of Communities and Local Government is currently undertaking a consultation exercise on draft revised investment guidance which will result in the issue of amended investment guidance for English local authorities to come into effect from 1 April 2010. It is not currently expected that there will be any major changes required over and above the changes already required by the revised Code.

1.4 Treasury Management Strategy for 2010/11

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the 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 issued subsequent to the Act) (included as Section 7 of this report); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

The suggested strategy for 2010/11 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector Treasury Services.

The strategy covers:

Section 1.	Introduction
Section 2.	Treasury Limits for 2010/11 to 2012/13
Section 3.	Current Portfolio Position
Section 4.	Borrowing Requirement
Section 5.	Prudential and Treasury Indicators for 2010/1 to 2012/13
Section 6.	Borrowing Strategy and prospects for Interest rates

1.5 Balanced Budget Requirement

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- Any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.0 Treasury Limits for 2010/11 to 2012/13

2.1 There is a statutory duty, under section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the Authorised Limit.

2.2 The Council must have regard to the Prudential Code when setting the Authorised Limit, which, essentially, requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels is acceptable.

2.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years, details of the Authorised Limit can be found in appendix A of this report.

3.0 Current Portfolio Position

The Council's estimated treasury portfolio position at 31 March 2010 will comprise:

		Principal		Ave. rate
		£m	£m	%
Fixed rate funding	PWLB	131,162		3.96
	Market	368,250		4.79
	Stock	8,224		3.36
			507,636	
Variable rate funding	PWLB	0		
	Market	181,390		5.1
			181,390	
Other long term liabilities			0	
Gross debt			**689,026**	
Investments			0	
Net debt			**689,026**	

4.0 Borrowing Requirement

The potential long-term borrowing requirements over the next three years, are as follows:

Table 2	**2010/11**	**2011/12**	**2012/13**
	£'000 estimate	**£'000 estimate**	**£'000 estimate**
Potential New Borrowing	195,000	98,000	98,000

5.0 Treasury Indicators for 2010/11 to 2012/13

Treasury Indicators (as set out in appendix A to this report) are relevant for the purposes of setting an integrated treasury management strategy.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. This original 2001 Code was adopted on 8 October 2003 by the full Council and the revised Code will be adopted on 3 March 2010.

6.0 Borrowing Strategy and Prospects for Interest Rate

6.1 Interest rates

The Council has appointed Sector Treasury Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix H draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Sector Bank Rate forecast for financial year ends (March)

- **2010 0.50%**
- **2011 1.50%**
- **2012 3.50%**
- **2013 4.50%**

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected. A detailed view of the current economic background is contained within appendix G to this report.

6.2 Borrowing rates

The Sector forecast for the PWLB new borrowing rate is as follows: -

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Mar-12	Mar-13
Bank rate	0.50%	0.50%	0.75%	1.00%	1.50%	3.50%	4.50%
5yr PWLB rate	3.05%	3.20%	3.30%	3.40%	3.60%	4.60%	4.85%
10yr PWLB rate	4.00%	4.05%	4.15%	4.30%	4.45%	5.00%	5.15%
25yr PWLB rate	4.55%	4.65%	4.70%	4.80%	4.90%	5.20%	5.35%
50yr PWLB rate	4.60%	4.70%	4.75%	4.90%	5.00%	5.30%	5.45%

A more detailed Sector forecast is included in appendix H.

In view of the above forecast the Council's borrowing strategy will be based upon the following information.

- Rates are expected to gradually increase during the year so it should therefore be advantageous to time new long term borrowing for the start of the year when 25 year PWLB rates fall back to or below the central forecast rate of about 4.65%, a suitable trigger point for considering new fixed rate long term borrowing.

- Variable rate borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year compared to taking long term fixed rate borrowing.
- PWLB rates on loans of less than ten years duration are expected to be substantially lower than longer term PWLB rates offering a range of options for new borrowing which will spread debt maturities away from a concentration in long dated debt.
- Consideration will also be given to borrowing fixed rate market loans at 25 – 50 basis points below the PWLB target rate and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, 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, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

6.3 External v. internal borrowing

- This Council currently has a minimal difference between gross debt and net debt.
- The current borrowing position reflects the strong balance sheet of the council. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows etc). Although some new borrowing has been taken in 2009/10 the policy remains to keep cash as low as possible and minimise temporary investments.
- The next financial year is expected to be one of historically abnormally low Bank Rate. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- Over the next three years, investment rates are therefore expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

- However, short term savings by avoiding new long term external borrowing in 2010/11 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.
- The Council has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by the PWLB of significantly lower repayment rates than new borrowing rates in November 2007 has meant that large premiums would be incurred by such action and would also do so in the near term; such levels of premiums cannot be justified on value for money grounds. This situation will be monitored in case the differential is narrowed by the PWLB or when repayment rates rise substantially.

Against this background caution will be adopted with the 2010/11 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.

6.4 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be 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 portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

6.5 Debt Rescheduling

The introduction of the new PWLB rates structure on 1 November 2007 that introduced a spread between the rates applied to new borrowing and repayment of debt, has meant that PWLB to PWLB debt restructuring is now much less attractive than before that date. However, significant interest savings may still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises.

As short term borrowing rates will be considerably cheaper than longer term rates, there are likely to be significant opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Council's maturity profile as in recent years there has been a skew towards longer dated PWLB.

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, and
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

There has been much discussion as to whether the size of spread between long term PWLB repayment and new borrowing rates should be revised (downwards) in order to help local authorities currently dissuaded from using investment cash balances to repay long term borrowing and thereby reduce counterparty and interest rate risk exposure. The DMO / PWLB have issued a consultation document with suggested options to revise the methodology used to calculate the early repayment rate. The consultation period ended in January 2010 and this authority will monitor developments in this area and may amend its strategy if significant changes are introduced.

Any rescheduling will be reported to the Executive at the earliest meeting following its action.

7.0 Annual Investment Strategy

7.1 Investment Policy

The Council will have regard to the CLG's Guidance on Local Government Investments ("the Guidance") issued in March 2004, any revisions to that guidance, the Audit Commission's report on Icelandic investments and the 2009 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: -

(a) the security of capital and
(b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investment.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed below. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

These principles would be important in normal circumstances, but the last two years or so have been anything but. The Icelandic banks crisis, which did not impact on the City Council, along with the financial difficulties faced by UK and international banks, have placed security of investments at the forefront of Treasury Management investment policy.

In order to achieve a higher level of security, the City Treasurer has introduced a number of measures:-

- Investments to be restricted to UK banks, building societies, local authorities and UK Government institutions. (If as the year progresses the Council needs to spread its counterparty risk by identifying more counterparties than currently operate in the UK, the Treasurer may seek approval to remove this restriction, so that none UK institutions can be considered as counterparties. Any proposal to do this, along with the restrictions in the proposed use of none UK banks will be reported to members for approval before any deposits are made).
- Diversify the investment portfolio into more secure UK government and government backed investment instruments.
- Although current investment strategy allows investments up to 364 days, restrict deposits to as short a time period as feasible.

There is a price to pay for an increased level of security, however. Greater security, and reduced exposure to risk, can only be achieved at the cost of lower rates of return.

Members are asked to note the revised Treasury Management investment strategy.

7.2 Specified and Non-Specified Investments

Investment instruments identified for use in the financial year are listed below under 'Specified' and 'Non-Specified' Investments categories.

<u>Specified Investments</u>

All such investments are sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

	Minimum 'High' Credit Criteria	**Use**
Term deposits – banks and building societies *	See below	In-house
Term deposits – other Local Authorities (LAs)	High security. Only one or two LAs credit rated	In-house
Debt Management Agency Deposit Facility	UK Government Backed	In-house
Nationalised banks	UK Government Backed	In-house
Certificates of deposits issued by banks and building societies covered by UK Government guarantees**	UK Government explicit guarantee	In-house

* Banks

Have as a minimum the following Fitch (or equivalent) credit ratings (where rated):

i. Long Term - Fitch A

ii. Short Term - Fitch F1

iii. Support - Fitch 3

Building Societies

Have as a minimum the following Fitch (or equivalent) credit ratings (where rated):

i. Long Term - Fitch A-

ii. Short Term - Fitch F2

iii. Support - Fitch 3

** Banks supported by the UK bail-out package: -

- Abbey
- Barclays
- HBOS
- Lloyds TSB
- HSBC
- Nationwide Building Society
- RBS
- Standard Chartered

7.3 Investment Limits

As advised by Sector, our treasury advisers, the financial investment limits of banks and building societies are linked to their Fitch long-term ratings (or Moodys equivalent), as follows:-

<u>Banks</u>

Fitch AA+	£20 million
Fitch AA/AA-	£15 million
Fitch A+/A	£10 million

<u>Building Societies</u>

Fitch AA/AA-	£15 million
Fitch A+/A-	£10 million

Debt Management Office	£100m
District Councils	£5m
Other Local Authorities	£10m

7.4 Liquidity

Based on cash flow forecasts, the level of cash balances in 2010/11 is estimated to range between £0m and £70m. The higher level can sometimes arise where, for instance, large government grants are received or long term borrowing has recently been undertaken.

Giving due consideration to the Council's level of balances over the next year, the need for liquidity, its spending commitments and provisioning for contingencies, it is considered very unlikely that the Council will have cash balances to invest other than on a temporary basis. For this reason, no cash will be held in term deposit maturities in excess of 1 year.

7.5 Creditworthiness policy

This Council uses the creditworthiness service provided by Sector. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays : -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands*: -*

- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months

This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys are currently very much more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored weekly**.** The Council is alerted to changes to ratings of all three agencies through its use of the Sector 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 movements in Credit Default Swap against the iTraxx benchmark (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 Sector's Credit List) and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and information, information on government support for banks and the credit ratings of that government support.

7.6 Investment Strategy to be followed in-house

Bank Rate has been unchanged at 0.50% since March 2009. Bank Rate is forecast to commence rising in quarter 3 of 2010 and then to rise steadily from thereon. Bank Rate forecasts for financial year ends (March) are as follows: -

- **2010** 0.50%
- **2011** 1.50%
- **2012** 3.50%
- **2013** 4.50%

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected.

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

For 2010/11 it is suggested that the Council should budget for an investment return of 0.90% on investments placed during the financial year.
For its 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.

7.7 End of year Investment Report

At the end of the financial year, the Council will receive report on its investment activity as part of its Annual Treasury Report.

7.8 Policy on the use of external service providers

The Council uses Sector Treasury Services and Butlers as its external treasury management advisers.

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 our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

7.9 Scheme of delegation

To define responsibility to member groups and officers in relation to treasury management.

Please see appendix E.

7.10 Role of the section 151 officer

Define the role of City Treasurer in relation to treasury management.

Please see appendix F.

8.0 Minimum Revenue Provision (MRP) Strategy

Outline Council policy for spreading capital expenditure charge to revenue and through annual MRP charge.

Please see attached Appendix B

9.0 Recommendations

Please see front of report for list of recommendations.

Appendix A

List of Treasury Indicators for approval
Please note last years approved figures are shown in brackets

Treasury management indicators	2010/11		2011/12		2012/13
	£m		£m		£m
Authorised Limit for external debt -					
borrowing	1,187	(1,167)	1,132	(1,167)	1,200
other long term liabilities (note 1)	206	(0)	206	(0)	206
TOTAL	1,393	(1,167)	1,338	(1,167)	1,406
Operational Boundary for external debt -	£m		£m		£m
borrowing	1,040	(1,060)	1,059	(1,108)	1,132
other long term liabilities (note 1)	206	(0)	206	(0)	206
TOTAL	1,246	(1,060)	1,265	(1,108)	1,338
	£m		£m		£m
Actual external debt	885		983		1,081
Upper limit for fixed interest rate exposure					
Net borrowing at fixed rates as a % of total net borrowing	83%	(79%)	85%	(80%)	86%
Upper limit for variable rate exposure					
Net borrowing at Variable rates as a % of total net borrowing	56%	(89%)	65%	(93%)	74%
	£m		£m		£m
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0

Maturity structure of new fixed rate borrowing during 2010/11	Upper Limit		Lower limit	
under 12 months	50%	(50%)	0%	(0%)
12 months and within 24 months	60%	(60%)	0%	(10%)
24 months and within 5 years	80%	(70%)	30%	(10%)
5 years and within 10 years	60%	(60%)	0%	(0%)
10 years and above	60%	(60%)	10%	(10%)

Note 1 – This increase is due to the move to International Financial Reporting Standards which means assets held under a PFI scheme must be included on the council's balance sheet. There are approximately 2700 council houses, 2 schools, 100k street lights, 183m energy systems for number of block of flats. Also several leases have been re-categorised as finance leases from operating leases and must be included on the balance sheet.

Appendix B

Minimum Revenue Policy Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2009/10 and will assess its MRP for 2010/11 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).
CLG Regulations require full Council to approve an MRP Statement. This will need to be approved 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 were provided to councils to replace the previous Regulations, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:-

For non HRA supported capital expenditure, MRP policy will continue to be charged at a rate of 4% in accordance with option 1 of the guidance (the regulatory method).

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. The MRP will start in the year after the capital expenditure is incurred or, in the case of new operational assets, in the year following the asset becomes operational, in accordance with the guidance.

For non HRA capital expenditure funded by borrowing in relation to expenditure which is capital by virtue of a Ministerial direction, or is capital expenditure which does not create a council asset, MRP will be provided as follows, starting in the year after the capital expenditure is incurred or, in the case of new assets, in the year following the asset becomes operational, in accordance with the guidance.

This will also apply for any expenditure capitalised under a Capitalisation Directive.

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 part 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.*
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.

* The recommended policy is in line with the guidance, but it is recommended that the policy in relation to Regulation 25(1) (d) items should be amended to equal the estimated life of assets associated with the acquisition expenditure.

The move to International Accounting Standards will involve arrangements under private finance initiatives (PFIs) and lessee interests being accounted for on the Council's balance sheet. Where this happens, a part of the service 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 service charge or rental payment now 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.

Appendix C

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as: "The management of the 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. 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.

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."

Appendix D

Adoption of revised CIPFA Treasury Management Code of Practice 2009

INTRODUCTION

The CIPFA Code of Practice on Treasury Management in Local Authorities was last updated in 2001 and has been revised in 2009 in the light of the default by Icelandic banks in 2008. The revised Code requires that a report be submitted to the council, board or other appropriate body, setting out four amended clauses which should be formally passed in order to approve adoption of the new version of the Code of Practice and Cross-Sectoral Guidance Notes.

The revised Code also includes an amended version of the treasury management policy statement (TMPS) incorporating just three clauses and a revised definition of treasury management activities. The Code does not require this statement to be approved by the council, board or other appropriate body.

The revised Code has also set out various requirements which have been summarised in paragraph 1 of the latest Treasury Management Strategy Statement.

RESOLUTIONS

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

1. This organisation will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (i.e. full board/council) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Audit Committee, and for the execution and administration of treasury management decisions to the

City Treasurer, who will act in accordance with the organisation's policy statement and TMPs and, if he is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

4. This organisation nominates Resource and Governance Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Appendix E

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 Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iv) City Treasurer

- Delivery of the function

Appendix F

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

Appendix G

Economic Background

1. Introduction

- The credit crunch storm of August 2007 eventually fed through to the near collapse of the world banking system in September 2008. This then pushed most of the major economies of the world into a very sharp recession in 2009 accompanied by a dearth of lending from banks anxious to rebuild their weakened balance sheets. Many governments were forced to recapitalise and rescue their major banks and central banks precipitately cut their central bank rates to 0.10 – 1.00% in order to counter the recession.
- The long awaited start of growth eventually came in quarter 3 2009 in the US and the EU. However, there was disappointment that the UK failed to emerge from recession in quarter 3.
- Inflation has plunged in most major economies and is currently not seen as being a problem for at least the next two years due to the large output gaps and high unemployment putting a lid on wage growth. In many countries there have been widespread pay freezes in 2009 and these are likely to be persistent for some time.
- Deflation could become a threat in some economies if they were to go into a significant double dip recession.
- Asian countries, especially China, are buoying world demand through their own stimulus measures.
- There still needs to be a radical world rebalancing of excess savings rates by cash rich Asian and oil based economies and excess consumption rates in Western economies if the world financial system is not to avoid a potential rerun of this major financial crisis in years to come.
- Most major economies have resorted to a huge expansion of fiscal stimulus packages in order to encourage a fast exit from recession. This, together with expenditure on direct support provided to ailing banks, has led to a drastic expansion in government debt levels which will take many years to eliminate and to restore the previous health of national finances.

2 Two growth scenarios

- The current big issue is 'how quickly will the major world economies recover?' There is a sharp division of opinion on this question as set out below. The knock on effects on forecasts for interest rates can be seen in appendix H – UBS strong recovery, Capital Economics – weak recovery.

2.1 Strong recovery

- This is a normal cyclical recovery which will be strong in the major world economies. The US still has potential to add further fiscal stimulus in 2010 to ensure that strong recovery continues after the current round of stimulus measures end. Growth in the EU is likely to be strong in 2010 and not require such help.

The UK:

- GDP growth will almost get back to the long term average of about 2.5% in 2011 but is likely to peak in the first half of the year as inventory rebuilding and stimulus measures fade and fiscal contraction kicks in later in the year.
- The economy will rebalance with strong growth in exports and import substitution helped by strong recovery in the EU and the rest of the world.
- Sterling has depreciated by 25% since the peak in 2007 and is likely to stay weak.
- Consumer spending – only a mediocre recovery is expected due to a steady increase in the savings ratio from +5.6% in 2009 to about 8% in 2011 as consumers pay down debt or build cash balances. Consumer incomes will be held down by wage freezes and increases in taxation.
- House price recovery is expected to persist helped by a low Bank Rate for a prolonged period; the peak to trough fall in house prices is now expected to be no more than 20%. House prices to rise by about 6% in 2010, and 3% in 2011; mortgage approvals will rise back to the level of 75 - 80,000 per month needed to ensure a continuation of a trend of rising house prices.
- CPI inflation to peak @ 2.5% in early 2010 after the rise in VAT in January but then to fall to a trough near 1.5% in early 2011 and to stay below 2% for the rest of 2011.
- The current MPC attitude is one of hang on as long as possible before increasing Bank Rate. The aim of this would be to try to ensure that growth gets going at a decent rate and that Bank Rate gets back to 4 – 5% before the next recession and that all assets purchased through QE have been sold off by then. The first Bank Rate increase is expected in Q3 2009.
- If there is a change of Government in 2010 with a more aggressive fiscal approach then this could delay the timing of Bank Rate starting to go up.
- The fiscal deficit is 6.4% of GDP, about £90bn, which is expected to fall at £11bn p.a. over eight years at currently planned rates. This is similar to the peak deficit of 7% in 1990s which was remedied to a surplus of 1.6% in the space of 6 years helped by strong, steady economic growth of 3% p.a. supported by loose monetary policy that compensated for the fiscal squeeze.
- Gilt yields, especially longer term ones, are currently artificially low due to the Bank of England's Quantitative Easing operations. £200bn of gilts, commercial bonds and paper are being purchased under this scheme which has inflated prices and depressed yields. Once this campaign ends, yields will inevitably rise but will also rise due to the huge level of issuance of new gilts to finance the fiscal deficit. Long gilt yields are therefore forecast to reach 6% during 2011.
- Gilt yields could rise higher if there was a hung Parliament in 2010 or if the fiscal situation deteriorates further.
- The major risk to this scenario would be a lack of supply of bank credit. However, it is felt that the Bank of England is on alert to ensure that this does not happen and would continue various measures to assist the expansion of credit.

2.2 Weak recovery

- The current economic cycle is not a normal business cycle but a balance sheet driven cycle. Over borrowed banks, corporates and consumers are focused on shrinking their levels of borrowing to more viable and affordable levels and this balance sheet adjustment will take several years to be effected. Repayment of debt will therefore act as a major head wind to the required increase in demand in the economy. Consequently there will only be weak economic recovery over the next few years after the initial sharp inventory rebuilding rebound fades. GDP growth is forecast to reach only +1.5% in 2011.

- Fiscal contraction will further dampen economic recovery driven by a strong political agenda to accelerate cuts in expenditure and increases in taxation after the general election in 2010.
- The consumer savings ratio will rise so as to eliminate over borrowing and to insure against people losing their jobs during this downturn. This will depress consumer expenditure, the main driver of the UK economy.
- Growth will also be hampered by a reduced supply of credit from weakened banks compounded by weak demand for credit.
- The eventual reversal of Quantitative Easing will take cash out of the economy and reduce demand in the economy.
- Unemployment is likely to rise to near to 3m in 2010 and take years to subside due to weak growth. High unemployment will reduce tax income and increase expenditure on benefits and the costs of local authority services.
- Inflation will not be a threat for several years as the current 6% output gap will take until 2014 to be eliminated.
- However, deflation is a major danger for some years: the major falls in manufacturing prices over the last 12 -18 months have still to feed through to the economy and then to impact wage deflation.
- CPI inflation will blip up over 2% in early 2010 but will then be on a strong downward trend to about -1% in 2011.
- There is no need for the MPC to change Bank Rate from 0.5% in 2010 or 2011 and possibly for 5 years as they will need to counter the fiscal contraction which will dampen demand in the economy.
- Long PWLB rates will <u>FALL</u> from current levels to near 4% in 2010 due to weak economic recovery and minimal inflation so that the real rate of return (net of inflation) on long gilts is healthy at these low levels

2.3 Sector view

- Sector recognises that at the current time it is difficult to have confidence as to exactly how strong the UK economic recovery will prove to be. Both the above scenarios are founded on major assumptions and research which could or could not turn out to be correct.
- Sector has adopted a more moderate view between these two scenarios outlined above i.e. a moderate return to growth.
- We do, however, feel that the risks that long term gilt yields and PWLB rates will rise markedly are high.
- There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas: -
  - degree of speed and severity of fiscal contraction after the general election
  - timing and amounts of the reversal of Quantitative Easing,
  - speed of recovery of banks' profitability and balance sheet imbalances
  - changes in the consumer savings ratio

  - rebalancing of the UK economy towards exporting and substituting imports
- The overall balance of risks is weighted to the downside i.e. the pace of economic growth disappoints and Bank Rate increases are delayed and / or lower
- There is an identifiable risk of a double dip recession and deleveraging creating a downward spiral of falling demand, falling jobs and falling prices and wages leading to deflation but this is considered to be a small risk and an extreme view at the current time on the basis of current evidence

Appendix H

Prospects for Interest Rates

The data below shows a variety of forecasts published by a number of institutions, they are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy).

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector interest rate forecast – 23.11.09

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Bank rate	0.50%	0.50%	0.75%	1.00%	1.50%	2.25%	2.75%	3.25%	3.50%	3.75%	4.25%	4.25%	4.50%
5yr PWLB rate	3.05%	3.20%	3.30%	3.40%	3.60%	3.85%	4.15%	4.55%	4.60%	4.80%	4.80%	4.85%	4.85%
10yr PWLB rate	4.00%	4.05%	4.15%	4.30%	4.45%	4.60%	4.80%	4.90%	5.00%	5.10%	5.10%	5.15%	5.15%
25yr PWLB rate	4.55%	4.65%	4.70%	4.80%	4.90%	5.00%	5.05%	5.10%	5.20%	5.30%	5.30%	5.35%	5.35%
50yr PWLB rate	4.60%	4.70%	4.75%	4.90%	5.00%	5.10%	5.15%	5.20%	5.30%	5.40%	5.40%	5.45%	5.45%

Capital Economics interest rate forecast – 18.1.10

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	3.15%	2.95%	2.65%	2.45%	2.45%	2.45%	2.45%	2.45%
10yr PWLB rate	4.45%	4.15%	3.65%	3.15%	3.15%	3.15%	3.15%	3.15%
25yr PWLB rate	4.75%	4.65%	4.35%	4.05%	3.95%	3.75%	3.75%	3.75%
50yr PWLB rate	4.65%	4.65%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%

UBS interest rate forecast (for quarter ends) – 30.10.09

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Bank Rate	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%	2.50%	3.00%
10yr PWLB rate	3.90%	4.05%	4.40%	4.75%	4.90%	5.15%	5.40%	5.40%
25yr PWLB rate	4.45%	4.65%	5.00%	5.15%	5.40%	5.65%	5.90%	5.90%
50yr PWLB rate	4.55%	4.75%	5.10%	5.25%	5.50%	5.75%	6.00%	6.00%

Appendix I

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

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

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.

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.

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.

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.

Manchester City Council
Report for Resolution

Report To: Executive - 10 February 2010
Resources and Governance Overview and Scrutiny Committee – 22 February 2010

Subject: Housing Revenue Account Budget 2010/11 to 2012/13.

Report of: The Director of Housing and the City Treasurer

Summary
To present details of the proposed Housing Revenue Account (HRA) budget for 2010/11 and forward indicative estimates for 2011/12 and 2012/13.

Recommendations:
The Executive is requested to:

(a) Note the context for the Housing Revenue Account and the related budget and service issues.

(b) Approve the Housing Revenue Account Budget 2010/11 as presented in Appendix 1.

(c) Approve the proposed average increase in rental and associated charges of 2%, and delegate the setting of individual property rents, to the Director of Strategic Housing and the City Treasurer, in consultation with the Executive Member for Neighbourhood Services and the Executive Member for Finance and Human Resources.

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	A healthy and fit for purpose housing market is essential for the economic growth of the City. People living in energy efficient housing in good repair are more likely to stay in good health and so be able to obtain employment and to stay in employment.
Reaching full potential in education and employment	Appropriate housing to ensuring that residents achieve their full potential. Children living in energy efficient housing in good repair and of adequate size are more likely to stay in good health and have suitable conditions and space for studying.

Community Strategy Spine	Summary of the contribution to the strategy
Individual and collective self esteem – mutual respect	Quality housing is intrinsically linked to resident's health, well being and feeling about their community.
Neighbourhoods of Choice	Improving the quality and management of the housing offer is fundamental to creating neighbourhoods where people choose to live.

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 budget strategy is prepared on the basis that the HRA is a ringfenced account, and costs and income, relating to the landlord function are funded from this.

The rental increase of 2% has taken into account the current rent restructuring, and the need to ensure that Manchester will achieve the convergence date.

Financial Consequences – Capital

The budget includes the costs of capital expenditure funded from borrowing.

Contact Officers:

Name: Paul Beardmore
Position: Director of Housing
Telephone: 0161-234-4811
E-mail: p.beardmore@manchester,gov.uk

Name: Paul Hindle
Position: Head of Finance, Regeneration
Telephone: 0161-234-3025
E-mail: p.hindle@manchester.gov.uk

Name: Carol Culley
Position: Head of Financial Management
Telephone: 0161-234-3406
E-mail: carol.culley@manchester.gov.uk

Background documents (available for public inspection):
Budget guidelines issued by the City Treasurer
CLG Housing Revenue Account Subsidy Circulars
Executive Report 11 February 2009 – Housing Revenue Account Budget 2009/10 – 2011/12.
CLG Draft Housing Subsidy Determination 2010/11 (09.12.2009)

Executive Report 22nd July 2009 – Final Out-turn of the Housing Revenue Account 2008/09

1 Introduction

1.1 The Housing Revenue Account (HRA) budget represents the cost of managing and maintaining the Manchester Housing stock of some 17,500 homes as at 1st April 2010 and should, as a statutory requirement, balance taking one year with another. The requirement to deliver a balanced budget has to be considered alongside two ongoing pressures that continue to be addressed in the budget strategy: - These pressures are:

- The need to respond to the Government's Rent Convergence Policy; and
- To need to meet the decent homes national PSA target.

The HRA is a ring-fenced account and can only contain entries that relate to the landlord function and that are specified;

- By Statute
- By Statutory Instrument
- By the direction of the Secretary of State.

2 Statutory Duties In Determining The HRA Strategy

2.1 Section 76(2) of the Local Government and Housing Act 1989, sets out the main duty placed on the Council in relation to the keeping of the HRA and provides 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.

2.2 Under S74 of the local Government and Housing Act 1989, the Council, as a Local Housing Authority, is required to keep a Housing Revenue Account in accordance with proper practices. 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. In doing so, it should take into account the following issues:

- The need to determine rent levels for 2010/11, having regard to the obligations placed on the Council to set rents at reasonable levels (Section 24 of the Housing Act 1985) and the introduction in 2002 of the Government's policy on rent restructuring for social housing. Government policy has been reviewed and as a result the guideline rent levels have been amended. This budget takes account of the revised targets.

- The need to pursue sound accounting practices.

2.3 Since 1 April 1990, under the provisions of the Local Government and Housing Act 1989, the Housing Revenue Account has been ring-fenced. This means that it must, in general, now balance on a year-to-year basis, so that the costs of running the Housing Service, in terms of debt charges and management and maintenance expenditure, must be met from income for the account in any given year.

2.4 The main source of income, other than rent, is government subsidy, which is computed from the notional HRA, comprising the government's view of expenditure that an Authority should have, and the level of rents that should be set. The HRA is therefore reliant on the Government's subsidy rules. The date of rent convergence is now forecast to be by 2013/14, this is the process by which rents in the Local Authority and Registered Social Landlord sector are brought onto the same basis under rent restructuring.

3 Progress Against the Budget Strategy 2009/10

3.1 The strategy that set the budget for 2009/10 was based on a rent increase for that year in alignment with, and making appropriate progress towards, the Government's rent convergence target whilst maintaining service and investment levels. The budget report recommended a rent increase of 5.64% based on the HRA Subsidy Determination at that time. Subsequently, CLG issued an offer (by way of increased Subsidy) to fund a national reduction which would result in an average rent increase for Manchester of 2.9%. Manchester accepted this offer.

3.2 The budget for 2009/10 anticipated the transfer of the remaining stock in West Gorton along with a number of “miscellaneous properties”. These transfers did not happen in 2009/10, and have now been re-profiled into 2010/11.

3.3 Current indications are that the H.R.A will deliver a surplus of around £7.1m in 2009/10. This is mainly due to the receipt of £6.5m VAT shelter credits which were not in the original budget. However, this receipt will need to be credited to Reserves (the Residual Liabilities Fund), which is set aside to meet any future environmental liabilities which may arise out of the transfer programme.

4 Budget Strategy 2010/11 – 2012/13

4.1 The proposed HRA budget is shown at Appendix 1; this has been prepared in line with the assumptions set out within this Budget Strategy. The table shows statutory compliance in that a credit balance is forecast at the end of each year within the Budget Strategy period. A credit balance is necessary in order to protect the Council from future risk e.g. a reduction in the level of housing subsidy or unforeseen costs. The budget for 2010/11 is informed by the draft HRA Subsidy Determination issued by CLG. It is not anticipated that there will be any material changes when the final determination is issued in March 2010. However, should this prove not to be the case, any effects will be reported to Executive.

4.2 As can be seen, during 2010/11 there is forecast to be an excess of income over expenditure of some £3.428m, which will flow into reserves.

4.3 This report has been prepared incorporating the financial impact of existing PFI schemes. There are potentially two additional schemes in the pipeline (Brunswick and Collyhurst). Negotiations with bidders in Brunswick are at an advanced stage however until contracts are finalised it will not be possible to forecast the financial impact. We are currently looking at the option of making a capital contribution in respect of the PFI scheme. This will involve making an upfront contribution to the contractor, which can be used to fund initial costs and therefore reduce the contractors costs of borrowing. The benefits of this will come back to the Council, through lower annual payments over the duration of the contract.

4.4 The reserves include earmarked reserves in respect of the PFI schemes. These are set aside to meet future liabilities, the nature of PFI's in the early years of PFI schemes the subsidy received is greater than the annual payments, and these reserves will increase each year, but in later years the annual subsidy will be less than annual repayments and the shortfall is funded from the reserves. If we agree to a capital contribution, this will be funded from the PFI reserves.

4.5 The Council is required to comply with the Statement of Recommended Practice, (SORP), from 2009/10 there will be a change to how PFI's are accounted for. This will involve the introduction of new assets on the balance sheet, and an equivalent deferred liability, and a proportion of the annual payment will then be charged against this as opposed to the HRA, it is not yet known whether the subsidy arrangements will change to offset this.

4.6 Although there is a credit on the overall reserves position, the general reserve is diminishing year on year, and shows a deficit of £2.3m in 2011/12. This is not unique to Manchester, and is part of the rationale behind the proposed reform of Council housing finance. Never the less this cannot continue, and to ensure sound financial standing, will require a thorough review of the options available to ensure there are adequate general reserves, this will include:

- Reviewing all costs, and additional income opportunities to ensure we are maximising resources.
- Analysis of the proposed reform of housing financing to ensure we are getting the maximum benefit.
- Reviewing all reserves to ensure they are adequate, for the intended purpose.
- Reviewing the overall position on the account should the date of convergence on rent levels change and the impact that this will have on assumed rental income.

4.7 At this meeting (February 2010) Executive will consider an overall 27.7% reduction in charges to residents living in homes serviced by the Councils' communal domestic heating schemes effective from April 2010. In the 3-year HRA budget report it was calculated that the net cost to be born by the HRA would be £498k in respect of infrastructure and some communal costs. This is forecast to reduce to £447k in 2010/11 (at 100% income collection) and is contained within the table at Appendix 1.

The key budget strategy principles are as follows:-

5 Rent Levels

5.1 The rent levels are set within the boundaries of the HRA rent restructuring which aims to achieve social rent reform and rent convergence by 2013/14. The proposed rent increase for next year is an average 2% (2009/10-2.9%), this will still enable Manchester to achieve the convergence date. This increase is in line with the Manchester increased guideline rent and compares favourably with the CLG assumption of a 3.1% national average percentage increase in the Guideline Rent which is used for Subsidy purposes.

The above increase has been included in the budget presented at Appendix 1.

5.2. It is also proposed to apply the 2% increase to charges associated with rent i.e. garage, furniture and service charges.

6 Total Management Costs

6.1 The supervision and management costs shown in the appendix are based on the proposed restructure of the Housing in Regeneration Division. Although this has not yet been formally approved, it is expected that recruitment will start in advance of April and based on current costings, it is anticipated that there will be around £327k of savings on supervision and management costs. There is a separate line in respect of the cost of the Management Fee paid to Northwards Housing (the ALMO) for the management and maintenance of Council properties.

7 Housing Investment Strategy

7.1 Overall the City would have required some £1 billion over the period to 2010/11 to bring the Manchester's housing to a good standard and maintain them to meet the "decent homes" national PSA target. The PSA target could not be delivered on traditional resources alone and therefore the Housing Investment Options programme was initiated and has been in place for some time. This budget strategy reflects the outcomes of this programme which include:

- The successful completion in Dec 2005 of the transfer of management to Northwards Housing Trust of some 13,000 properties in the north area. Also, the successful completion in October 2006 of the transfer of the West Wythenshawe estates, some 6,000 properties, to Parkway Green Housing Trust and during 2007/08 some 6,000 properties were transferred to Southway Housing Trust.

- The transfer during 2008/09 of the inner south estates to City South Manchester Housing Trust and the final large scale stock transfer of the estates in the east area, at the end of that financial year, to Eastlands Homes.

- Transfer of the remaining stock in West Gorton along with a number of "miscellaneous properties" will be ongoing through this budget period, for planning purposes we have assumed that West Gorton will transfer in October 2010. Progress will be made towards the completion of the Brunswick and PFI project. Proposals for the Collyhurst PFI project will be further developed and the consequences of each element of the programme will be reported on when the financial effects can be quantified.

8 Cost of Pay Award

8.1 The treatment of pay and price inflation follows that approved for City Council's overall budget strategy.

9 Housing Subsidy

9.1 Housing Subsidy is determined on an annual basis. Whilst the budget is based on the recently issued Draft Determination it is not anticipated that there will be any material changes. Within the Determination, the major allowances were increased by a range of factors as follows; Major Repairs Allowance by 1.0%, Management Allowance by 9.0% and Maintenance Allowance by 6.4%. (Guideline Rent increases by 2.0%)

10 Reform of the Housing Subsidy System

10.1 The HRA is ring-fenced, but the guidance on the operation of the ring-fence reflects the provision of housing and housing services 15-20 years ago, and is therefore no longer considered appropriate. There has recently been a consultation exercise on how this can operate in the future, the outcome has still not been determined, but an announcement is expected in February, and the implications of this will be brought back to Executive.

10.2 The current system allows the Government to determine the notional amounts that local authorities need to spend on housing, and how much subsidy is needed to support this. The Government makes notional calculations of how much income and expenditure each authority should have, and the subsidy is derived from that – although the calculations are notional they are based on actual data such as stock numbers, interest rates and deprivation indices, which are adjusted annually.

10.3 The consultation stated that there is a clear rationale for redistribution between landlords, as councils have different spending needs and different capacities to raise income – redistribution essentially allows all councils to provide a similar level of service for a similar level of rent.

10.4 There are 3 main factors that drive the current subsidies:

- Assumptions made about the need to spend on management, maintenance and major repairs.
- Assumptions made about rental income
- The amount of housing debt a council is assumed to hold

10.5 The Governments' proposal is to dismantle the current national housing subsidy and finance system and replace it with one based on self financing Housing Revenue Accounts following a one-off adjustment to the debt held by each HRA.

10.6 The proposed reform would see Councils no longer receiving the various allowances under the HRA Subsidy system (apart from the PFI allowance, proposals on which are still awaited) but would keep all of the HRA rental income.

10.7 CLG's definitive figures are promised by mid February including their proposals for including the value of existing PFI schemes (not previously factored in). A significant factor in Manchester's' 30 year Business Plan will be the impact of the two proposed PFI schemes in Brunswick and Collyhurst the effects of which will be modelled separately.

11 Provision for Bad Debts

11.1 Following discussion with the external auditors, the provision for bad debts was revisited at the end of 2008/09 and the overall provision is now based on the CIPFA formula. There is an annual contribution to the bad debts provision, and this is based on 1% of the budgeted rental income, although the provision will be revisited each year and finalised as part of the annual accounts, to determine the actual contribution required.

12 Budget Risks

12.1 The resources provided for within the strategy are in line with the planned reductions in stock. There are risks, however, if;

- resources cannot be reduced accordingly e.g. staff numbers do not reduce in line with stock reductions,
- the housing investment options programme changes,
- recharges from service departments within the Council may not reduce strictly in line with the lower demand for those services.

12.2 Any changes to resources required will need to be found from savings/efficiencies generated within the HRA.

12.3 Interest rates have shown a recent significant reduction during the current economic down-turn. The budget for both interest payable and receivable has been set to reflect this. The assumption is that the low rates currently being experienced will slowly begin to rise as the economy generally improves.

12.4 The Budget Strategy makes several assumptions in regards to the rental income. This income figure is therefore subject to the fact that right to buy sales have reduced substantially over the last year and the forecasts of sales have been similarly reduced, however, demand may rise again and may exceed that budgeted and thereby lead to loss of rental income. Similarly, repairs and maintenance costs and subsidy income will also change.

Amortised Premia (net of Discounts)

12.5 The figures in Appendix 1 show the ongoing financial impact of the renegotiation of existing loans in previous years.

13 Conclusion

13.1 The proposals contained in this report will ensure service delivery and investment is maintained. In the context of future restrictions on the HRA the recommendations will help secure HRA services for several years to come.

13.2 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 2010/11 and the two following years, is displayed in Appendix 1 and shows this provision being met.

14 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region
A healthy and fit for purpose housing market is essential for the economic growth of the City. People living in energy efficient housing in good repair are more likely to stay in good health and so be able to obtain employment and to stay in employment. Setting rents at an appropriate, affordable level will assist in this.

(b) Reaching full potential in education and employment
Appropriate housing is vital to ensuring that residents achieve their full potential. Children living in energy efficient housing in good repair and of adequate size are more likely to stay in good health and have suitable conditions and space for studying. Setting rents at an appropriate, affordable level will enable tenants to live in locations which meet their aspirations in terms of education and employment.

(c) Individual and collective self esteem – mutual respect
Quality housing is intrinsically linked to residents' health, well being and feeling about their community. Setting rents at an appropriate, affordable level will assist in this.

(d) Neighbourhoods of Choice
Improving the quality and management of the housing offer is fundamental to creating neighbourhoods where people choose to live. Setting rents at an appropriate, affordable level will enable tenants to live in locations which meet their aspirations in terms of preferred neighbourhood.

15 Key Polices and Considerations

(a) Equal Opportunities
None

(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 proposal rent setting within this report – together with regular budget monitoring – will assist in managing this risk.

(c) Legal Considerations
The City Solicitor has reviewed this report and provided a commentary which has been incorporated within.

APPENDIX 1

Housing Revenue Account 2010/11 – 2012/13

	2009/10 Forecast £000s	2010/11 Plan £000s	2011/12 Plan £000s	2012/13 Plan £000s
Balance brought forward	**46,613**	**53,728**	**57,166**	**61,189**
Income				
Rental Income	-52,492	-53,162	-56,153	-60,032
Other Income – contributions	-1,617	-1,175	-1,199	-1,222
Service Charges	-4,852	-2,987	-3,047	-3,108
Major Repairs allowance	-9,567	-9,577	-9,768	-9,963
Housing Subsidy Retained Stock and PFI	-16,676	-15,511	-17,116	-17,747
VAT Shelter Credits	-6,482	-6,817	-5,924	-5,115
Total Income	**-91,686**	**-89,228**	**-93,206**	**-97,188**
Expenditure				
Maintenance and Repairs	8,851	6,515	6,645	6,778
Maintenance and Repairs - Northwards	12,135	12,909	13,167	13,431
PFI Contractor Payments	17,453	18,906	19,257	19,531
Supervision and Management	14,184	13,857	14,084	14,366
Supervision and Management - Northwards	8,370	8,746	8,951	9,387
Council Tax, Chief Rents	146	150	153	157
Contribution to Bad Debts	525	532	562	600
Depreciation	14,078	14,478	14,998	14,916
Debt Management Expenses	315	241	241	241
Total Expenditure	**76,057**	**76,334**	**78,058**	**79,407**
NET COST OF SERVICE (-) = surplus	**-15,629**	**-12,894**	**-15,149**	**-17,781**
Interest payment and similar charges	12,946	15,984	18,186	18,369
Amortised Premia (net of discount)	106	-894	-1,110	-129
Prudential Borrowing			80	609
HRA Investment Income	-722	-722	-800	-800
Sub-total	**12,330**	**14,368**	**16,356**	**18,049**
Revenue Contribution to Capital Outlay	685	0	0	0
Excess of Depreciation over Major Repairs Allowance	-4,511	-4,901	-5,230	-4,953
Sub-total	**-3,826**	**-4,901**	**-5,230**	**-4,953**
In-year balance (-) = surplus	**-7,125**	**-3,428**	**-4,023**	**-4,685**
CUMULATIVE BALANCE CARRIED FORWARD	**53,738**	**57,166**	**61,189**	**65,874**
Analysis of cumulative balance carried forward				
General Reserve	4,755	826	-2,312	-3,818
Residual Liabilities Reserve	15,171	21,988	27,912	33,027
PFI Reserves	33,812	34,352	35,589	36,665
Total Reserves	**53,738**	**57,166**	**61,189**	**65,874**

Manchester City Council
Report for Resolution

Report To:	**Resources and Governance Overview and Scrutiny Committee – 22 February 2010**
Subject:	Business Plans 2010/11: Comments of Overview and Scrutiny Committees
Report of:	Team Leader, Scrutiny Support

Summary

This report advises members of the approach overview and scrutiny committees have taken to looking at business plans this year. It also covers the recommendations that the committees have made and what actions have been taken as a consequence.

Recommendations

The Committee is asked to take this information into account during its consideration of the Executive's budget proposals for 2010/11.

Wards Affected: All

Contact Officers:

Name: Courtney Brightwell
Position: Team Leader, Scrutiny Support
Telephone: 0161 234 3376
E-mail: c.brightwell@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 contact officers above.

None

1.0 Approach to Scrutiny of Business Plans in 2009/10

1.1 This year the Overview and Scrutiny Co-ordinating Group has supported greater involvement from scrutiny committees in the business planning process by discussing and developing new ways for the committees to engage with the process. As a result of this overview and scrutiny committees have looked at business plans in three different ways:

- Committees have commented on how the plans have developed over time by looking at a plan at an early stage of its development and then returning after a few months to see how the plan has developed, how the issues raised in the plan's self-assessment have been addressed and how officers have responded to the comments made by the committee.

- Committees have looked at particular aspects of business planning and have commented on how well these aspects are being carried out across the Council. For example Citizenship and Inclusion Scrutiny Committee has looked at how the equality delivery plans in different service areas will lead to more inclusive and accessible services, whilst Resources and Governance Scrutiny Committee has looked at how the Neighbourhood Funding Strategy is being implemented through the plans.

- Committees have looked at the overall quality of some plans and commented on how service areas will continue to deliver high quality services given the likelihood of more difficult financial challenges facing the organisation.

1.2 The Economy, Employment and Skills Scrutiny Committee have also requested that the Overview and Scrutiny Co-ordinating Group revisit scrutiny committees' involvement in business planning processes to look at how their involvement can be strengthened during the next financial year.

1.3 The remainder of this report sets out the approach taken by each committee; the comments it has made and what changes these have lead to. Copies of the minutes of any of the discussions referred to below are available from the contact officer for this report.

2.0 Children and Young People Overview and Scrutiny Committee

2.1 The Committee looked at the Children's Services Business Plan and noted that there was ongoing work on determining performance targets and the Committee will return to look at how this has been carried out at its meeting on March 2. The Committee supported the goal of shifting provision for looked after children from residential care to foster care as long as the safety and well-being of the individual child remained the priority. Members noted the significant savings that could be made through this approach.

3.0 Citizenship and Inclusion Overview and Scrutiny Committee

3.1 The Committee looked at the business plan for the Crime and Disorder section in its entirety as well as the equality delivery plans in the Children's Services business plan and in the five plans in the Regeneration Directorate (Housing, Planning, Transport, Culture and Regeneration and Economic and Urban Policy.)

3.2 The Committee agreed during its consideration of the Crime and Disorder plan that it would look at what services the Crime and Disorder Reduction Partnership commissions and how it does so. This will support a continued focus on how public agencies are delivering services that meet residents' needs in the more restrictive financial climate.

3.3 The table below demonstrates the impact that the Committee's focus on the equality delivery plans in business plans has had on challenging services to develop thorough and effective plans.

Plan	Recommendation	Action	Contact
Housing Loop	To request that the Housing Loop Equality Action Plan be presented to the Committee's next meeting demonstrating more fully how the section will strive to make social housing more widely accessible.	A revised equality delivery plan was submitted to the Committee's meeting on 3 February 2010. Members felt this plan better demonstrated how Housing were planning to operate in a more inclusive manner in its new strategic role.	Gail Heath, Housing Strategy.
All	To request that, where equality delivery plans for service areas interrelate (e.g. planning and housing), service leads on the plans should work together to ensure the plans complement each other.	This has been reported to the Strategy Leader for Organisational Improvement and Service Inclusion to implement.	Nicola Bamford, Strategy Leader for Organisational Improvement and Service Inclusion, Corporate Performance.
All	To stress the importance of spreading good practices in equality planning to service leads in the different business planning areas.	This has been reported to the Strategy Leader for Organisational Improvement and Service Inclusion. Identification and spreading of good practice currently takes place through the Corporate Equalities Improvement Group.	Nicola Bamford

4.0 Communities and Neighbourhoods Overview and Scrutiny Committee

4.1 The Committee devoted its meeting on 5 January 2010 to looking at and commenting on the following business plans: Leisure Services, Street Management and Enforcement, Planning and Building Control and the Housing Loop. The table below sets out the recommendations the Committee has made and action taken as a consequence.

4.2 The Chair of the Committee received a written representation from a member of the public requesting that the Leisure Services business plan be amended to cover the specific programmes aimed at increasing use of bicycles. The Committee discussed this and agreed with the views raised in the letter.

4.3 During the Committee's consideration of the Planning and Building Control plan members expressed the view that enforcement action against persistent offenders of planning regulations should be carried out using a risk based approach. The Executive Member for Environment agreed to explore how this could be done in the Planning and Environmental Services sections, and would discuss this with the Committee at a later date.

Plan	Recommendation	Action	Contact
Leisure Services	To request that the Head of Leisure Services include specific reference to the work done to promote cycling for commuting and leisure purposes within the business plan.	Promotion of cycling as part of a drive to intensify activities designed to support more people in Manchester to engage in active recreation is now highlighted in the Business Delivery Plan and Performance Measures elements of the Business Plan.	Edward Flanagan Head of Policy, Performance & Contracts, Leisure Services
Street Management and Enforcement	To request that the Head of Street Management and Enforcement amend the Business Plan to provide details of the work to encourage a wider representation of staff across the department.	The business plan will be amended to include the following pieces of work designed to encourage a more diverse workforce and to employ more Manchester residents: - Support a range of pre-employment activities for Manchester residents including work experience for school children, internships and Future Job Fund roles. - Retain and develop staff at lower grades (containing a higher % of Manchester residents) through the delivery of the Skills Pledge.	Rachel Christie, Head of Street Management and Enforcement

		- Use development opportunities such as facilitation of events and involvement in task groups for more systematic succession planning. - Identify opportunities for BME staff and other aspiring managers to access leadership development programmes.	
Housing	To request that the Director of Housing include further information in the plan on the work that has been undertaken to meet the LAA target to increase the percentage of owner occupied properties in Manchester.	The final version of the plan will include specific details on the areas of work that will support aspirations of home ownership in the section entitled 'a changed economic environment.' Further details of these areas of work will be reported to the Communities and Neighbourhoods Scrutiny Committee.	Gail Heath, Housing Strategy.

5.0 Economy, Employment and Skills Overview and Scrutiny Committee

5.1 The Committee looked at the business plans for Regeneration and Economic and Urban Policy and Manchester Adult Education Services. The table below sets out the recommendations the Committee has made and action taken as a consequence.

5.2 The Committee noted that the Regeneration service area was partially reliant on external grant funding which would be subject to reduction in some areas. The Committee tested that the plan catered for funding reductions and how it would make the most effective use of its resources, and felt that the plan covered this well.

5.3 As referred to in 1.2 above the Committee also requested that the Overview and Scrutiny Co-ordinating Group revisit scrutiny committees' involvement in business planning processes to look at how their involvement can be strengthened during the next financial year.

Plan	Recommendation	Action	Contact
Manchester Adult Education Services	To request that the Head of the Manchester Adult Education Service (MAES) amend the MAES business plan to reflect the measures	The plan will be amended in section 5 'Outcomes and Customer Satisfaction'- and the Equalities Plan Strategic Objective 2 -Place Shaping, Partnership and	Julie Rushton, Head of Manchester Adult Education Service

	taken to target potential customers in areas where take up of services was low.	Organisational Commitment to include the actions to be taken to specifically target residents in geographical areas where take up is low. This will include more explicit targeting of residents at a ward level as part of the Strategic Regeneration Framework Planning for Employment and Skills.	(MAES)
Manchester Adult Education Services	To ask the Head of Manchester Adult Education Service (MAES) to make the timescales for all staff to undertake safeguarding training more explicit within the business plan.	The timescale for all staff to receive safeguarding training will be amended to September 2010.	Julie Rushton.

6.0 Health and Wellbeing Overview and Scrutiny Committee

6.1 The Committee looked at the business plans for Adult Social Care and will consider the combined plan for the Joint Health Unit and Public Health section (NHS) at a meeting early in the next municipal year. The table below sets out the recommendations the Committee has made on the Adult Social Care plan and action taken as a consequence.

6.2 The Committee noted that the service's risk register referred to the risk that the embedding and continued integration of the MICARE systems could undermine the implementation of change. This was rated as a high risk and the Committee have agreed to follow this up by requesting a report on how MICARE is being integrated and how the risk is being mitigated.

Plan	Recommendation	Action	Contact
Adult Social Care	To request that the Strategic Director of Adult Services look ways of improving how the Business Plan is communicated to customers of the service during the business planning process in 2011.	In the 2011/12 Business Plan we want to see far more customers working alongside the service to determine its priorities and how they will be achieved. We will involve our customers by; • producing a customer accessible/ friendly version of the 2010/2011 Business Plan and make it available in a range of ways • asking them to feed back to us on progress on delivering the 2010/2011 Business Plan • involving them in the self assessment	Jill Meredith Principal Manager Quality and Performance, Adult Social Care

		for the 2011/12 Business Plan to identify the strengths and weaknesses in the service • setting up challenge sessions where customers can test out if we have selected the right business priorities and if not suggest new ones and how we might achieve them.	
Adult Social Care	To request that the Strategic Director of Adult Services look at the recruitment, training and retention of carers with a view to improving the perception of care work as a long-term career option.	The Adults Directorate supports the recruitment and retention of care workers through the Care as a Career Scheme which is delivered by a designated team of care ambassadors through Manchester secondary schools, Adult and Further Education colleges and community organisations. The scheme promotes care as a positive career choice and is reinforced by care staff (ambassadors) delivering a presentation about the work they do on a daily basis. This challenges some of the stereotyping of care work and also gives information on long-term career pathways and options, pay and conditions. All Manchester secondary schools have opted into this scheme Adults support Apprenticeships for young (and older) people both through the Skills Pledge, Jobs Fund and through departmental funding and Skills for Care targets. We also offer short and long term work based learning opportunities (placements) to learners on social care courses across all Manchester schools and colleges and are widening this approach to ensure we reach all people interested in care work. To promote and offer placements to volunteers would increase the volume of people able to apply for and be recruited into care work.	Jill Meredith

7.0 Resources and Governance Overview and Scrutiny Committee

7.1 The Committee took a multifaceted approach to looking at business plans in 2009/10. At its meeting in October 2009 it looked at an early version of the plans for Leisure Services, Communications, Legal Services and Democratic and Statutory Services. At its meeting in January 2010 it returned to look at how the Communications and Leisure Services plans had developed, how they had responded to the issues raised in their self-assessments and how they had responded to comments made by the Committee.

7.2 In addition to this the Committee looked at how certain aspects of business planning are being implemented across the Council. At its meeting in January 2010 it took reports on how business continuity management arrangements had been included in business plans and on the impact that Neighbourhood Funding Strategy priorities have had in influencing plans to better reflect local priorities.

7.3 Members noted that in January 2010 approximately one half of services had completed a comprehensive business continuity management overview. The Committee was keen to see that the drive to spread business continuity management skills across all services was ongoing and requested an update at their March meeting on how many services submitted overviews.

7.4 The Committee felt that there were improvements in the way that the Neighbourhood Funding Strategy was being implemented, particularly where it had lead to services becoming more flexible to respond to local needs, however members felt that the Strategy was being implemented better in some areas of the Council than others. Following questions raised regarding how priorities relating to the Highway's section would be funded, the Committee has requested to see this section of the Highways Services Business Plan at its March meeting.

7.5 At its meeting in October 2009 the Committee noted that customer satisfaction surveys were carried out in the Registration and Coroner Services section. Members asked whether customer satisfaction surveys could be conducted within other areas of Democratic and Statutory Services. Following this request satisfaction surveys have been sent to all members of the Council asking a number of questions regarding members' satisfaction with Democratic and Statutory Services Legal Section, Electoral Services, the Governance and Scrutiny Support Unit (formerly Committee Services) and Members Services. The responses from this exercise have been fed into the business plans for the sections.

7.6 The table below sets out the recommendations the Committee has made and action taken as a consequence.

Plan	Recommendation	Action	Contact
Communications	To note the contents of the plan and to request that it be amended to reflect the role of ward Councillors in communication more fully.	The business plan will be amended to ensure Ward Councillors are reflected both as communications customers and as being integral to the strategic direction and sign off of all communications. In consultation with the	Sara Tomkins, Director of Communications

		Executive Lead Member with responsibility for communications we will review how we can better service councillors' communication needs going forward. This will happen in May.	
Leisure Services	To recommend that the risk of reduced lottery grant funding be removed from the self-assessment conclusions in the business plan.	The risks associated with the economic downturn are now appropriately referenced in the Risk Register section of the Business Plan.	Edward Flanagan Head of Policy, Performance & Contracts, Leisure Services