

**Manchester City Council
Report for Resolution**

Report To: Resources and Governance O&SC – 8 January 2009
Executive – 14 January 2009

Subject: Points4Life: Management and governance arrangements

Report of: Acting Deputy Chief Executive (Performance)

Summary

Manchester has recently been awarded £4.6 million from the Department of Health to launch an innovative programme aimed at motivating people to change their lifestyle behaviour in a way that benefits their health. This programme will require new partnership arrangements between NHS Manchester and Manchester City Council.

Recommendations

- To welcome the award of funding to the Council and NHS Manchester towards the Points4Life project
- To resolve that the proposal for delivery of the project as described in the report is in the interests of promoting the social, economic or environmental well-being of the area
- To approve the establishment of a new company limited by guarantee to act as the social enterprise vehicle to take forward the Points4Life initiative;
- To confirm the Council's nominated Directors of this new company.

Wards Affected:

All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	Reducing obesity levels and consequent ill health will in turn reduce sickness absence and therefore improve productivity.
Reaching full potential in education and employment	Reducing obesity levels will improve health and reduce premature mortality.

Individual and collective self esteem – mutual respect	Supporting people to have more control over their health is positive for self-esteem and wellbeing more broadly.
Neighbourhoods of Choice	Limited although information generated by the project could be used to help shape local services.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

No recurrent revenue funding by the City Council has been committed at this stage. As the scheme develops in the longer term, some services may feel that it would be valuable to invest in Points4Life in order to generate increased participation in healthy activities and increased financial returns. Strong governance arrangements will be required to ensure that the financial risks associated with the project are minimised

Financial Consequences – Capital

No capital spend by the City Council has been committed.

Contact Officers:

Name: Geoff Little
Position: Acting Deputy Chief Executive (Performance)
Telephone: 0161 234 3280
E-mail: g.little@manchester.gov.uk

Name: Colin Cox
Position: Asst. Director, Joint Health Unit
Telephone: 234 4190
E-mail: c.cox@manchester.gov.uk

Name: Des Gardner
Position: Head of Regeneration (Legal)
Telephone: 0161 234 3013
E-mail: d.gardner1@manchester.gov.uk

Name: Andrew Ballantyne
Position: Interim Head of Finance (Corporate and Strategic)
Telephone: 0161 234 3406
E-mail: a.ballantyne@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.

- Application for Healthy Communities Challenge Fund resources
- Points4Life: Structure of the Social Enterprise (Executive Summary)
- Points4Life: Structure of the Social Enterprise (Full Report)

1.0 Introduction

- 1.1 Manchester has recently been awarded £4.6 million from the Department of Health to launch an innovative programme aimed at motivating people to change their lifestyle behaviour in a way that benefits their health. This programme will require new partnership arrangements between NHS Manchester and Manchester City Council.
- 1.2 This paper seeks the approval of the Executive to form a new company limited by guarantee, with representatives from both the City Council and NHS Manchester on the Board, to take forward this project.

2.0 Background

- 2.1 NHS Manchester and Manchester City Council submitted a proposal to develop a health “loyalty card” scheme called Points4Life as part of the Healthy Communities Challenge Fund process led by Department of Health. Following a final stage presentation and interview, the Secretary of State for Health announced on 11 November that Manchester had been successful. This means that the City will receive £4.6 million over the period 2008/09 – 2010/11 to develop and implement Points4Life and will be one of nine designated “Healthy Towns”.
- 2.2 The basic concept behind Points4Life is very similar to a loyalty card scheme, where people can collect points from a range of retailers, and subsequently redeem these against a range of selected goods and services. The distinction is that while other schemes reward any purchase from participating retailers, Points4Life would reward behaviour that is seen as positive for health and well-being. This would include purchasing behaviour, such as buying fruit and vegetables, but would not be limited to it – for example, going swimming or using a local leisure centre could accrue points. The rewards on offer would also be consistent with this objective.
- 2.3 This will be a complex scheme to develop and implement, and in order to deliver it, Manchester City Council and NHS Manchester will want to draw the expertise of private sector agencies that are experienced in work of this sort. It will also be necessary to establish a formal governance structure to ensure that the project is developed in line with local expectations and remains accountable to Manchester City Council and NHS Manchester. This paper therefore sets out proposals for the formal legal management structures for Points4Life.

3.0 Proposed structure

- 3.1 It is proposed that a company limited by guarantee should be established for the Points4Life program, with NHS Manchester and Manchester City Council each being the members and controlling it on an equal basis. The primary reason for creating a company limited by guarantee is that it would have a strong appeal to the private sector, encouraging their involvement and making them more likely to do business, which is key to the delivery of the project. It also establishes clear governance arrangements, familiar to both parties,

suitable for managing the risks associated with a project of this nature.

- 3.2 A company limited by guarantee is a limited liability company with responsibility for managing its own business subject to the requirements of the Companies Act 2006 in relation to annual reporting and preparation of accounts. In order to ensure that the company manages its business so as to avoid financial difficulties robust management controls will need to be implemented by the board. The Council, through its participation as a member and through its nominee directors will work to ensure that there is sufficient transparency in the model to ensure that such arrangements are implemented ensuring that the company manages its risks appropriately and limiting the likelihood of there being any requirement for a financial contribution from the Council in the future.
- 3.3 The alternative approach would be for the Council and NHS Manchester to enter into a contractual arrangement whereby they each accept certain rights and responsibilities as regards to the development and operation of Points4Life. This would mean that one of the public sector bodies would be primarily responsible for the programme with the other participating as a secondary partner although perhaps sharing in the risk. Whilst this model may be appropriate for some projects it was felt to be inappropriate for the Points4Life Project due to the need to give both partners equal participation and to provide a structure that was easily understood by the private sector..
- 3.4 The new company created as a governance structure for Points4Life will then be in a position to procure the necessary private sector consortium to deliver the work on behalf of the Council and NHS Manchester.

4.0 Funding

- 4.1 The initial funding for Points4Life will be derived from the following sources:

	£m
Department of Health	4.6
NHS Manchester	0.6

The £4.6 million will be received by the Points4Life Newco, via NHS Manchester, as grant from the Department of Health. For 2008/9, £0.8 million will be received, with the balance (£3.8 million) received in quarterly installments commencing from June 2009. New public health investments and health improvement programmes will be aligned with the Points4Life scheme. The programmes, which include Health Trainers, Healthy Living Networks and Physical Activity initiatives, have been agreed by the Business Case Committee of NHS Manchester and will be phased in during 2009/10.

- 4.2 It is anticipated that the money from the Department of Health will be used to subsidise elements of the proposed scheme for which there is no commercial return (e.g. designated walks in local parks). However, in the initial phase of the project this money may also be used to fund and/or underwrite the development of all aspects of the scheme.
- 4.3 NHS Manchester has allocated £0.6 million to the scheme up to 31 March 2011 and £0.1 million has already been committed for development and

consultancy costs. To date Manchester City Council has committed resources in terms of management and staff time to the successful submission and with NHS Manchester will further explore the use of partnership resources to add value to the scheme.

- 4.4 Currently Manchester City Council and NHS Manchester align Working Neighbourhoods Fund and Choosing Health resources for prevention programmes, which are agreed by the Adults Health and Well Being Partnership Board (part of the Manchester Partnership). Programmes that are successfully mainstreamed will allow the Board to reinvest resources into priority schemes such as Points4Life subject to the existing approval mechanisms of either the Council or NHS Manchester.
- 4.5 The business model for the delivery of the Points4Life scheme anticipates that the necessary investment in infrastructure, scheme rewards, operating costs and financial return for the private sector managed service provider will be generated via income derived from the private sector organisations which participate in the scheme (i.e. via a commission on each points related transaction).

5.0 Legal considerations

- 5.1 Section 2 of the Local Government Act 2000 gives the Council a power to do anything (subject to the limitations imposed by the act) where it considers it to be in the interests of promoting the social, economic or environmental well-being of the area. The guidance issued under the act makes it clear that this will extend to participating in companies and pursuing initiatives such as the Points4life project. In determining whether and how to exercise this power the Council must have regard to its Community Strategy.
- 5.2 Section 7 of this report considers the potential impact of the project on the achievement of the objectives of the Council's Community Strategy. This demonstrates that the project should play a positive role to meeting the Council's objectives and contribute to the social and economic well being of the area.
- 5.3 The initial advice provided by DLA Piper to NHS Manchester has been reviewed by the City Solicitor's Division who have confirmed the advice summarised at section 3 above. The use of a company limited by guarantee to deliver the project is consistent with the approach taken by the Council in other projects and provides a robust model for governance of the partnership with NHS Manchester. Although a limited liability company it is nevertheless essential that robust governance arrangements are in place to ensure the company manages its business to deliver its operational objectives within its budget, avoiding the need for any support from the City Council or other funders in the future.
- 5.4 The project is still at a relatively early stage in terms of the procurement process and the report describes elsewhere the work being undertaken to put in place appropriate project management arrangements to deliver the project.

It is proposed to extend the DLA Piper instruction to enable them to act for both the Council, NHS Manchester and the new company in relation to the project, working with City Solicitor's to ensure that legal issues that will arise during the project are addressed appropriately.

6.0 Company Board membership

- 6.1 If this proposal is implemented, consideration will need to be given to membership of the Board of the new company. It is proposed that this should comprise four Executive Directors (chief officer/senior managers), two nominated by MCC and two by NHS Manchester. In addition there would be five Non Executive Directors, including a city councillor and non-executive of NHS Manchester and three others independently selected with the relevant range of skills.
- 6.2 Discussions are currently underway about the appropriate MCC input to the Board; this will be orally reported to the Executive meeting.

7.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

- 7.1 A healthy population is crucial for a strong economy. The Department of Health has estimated that the cost of obesity to Manchester is approximately £166 million per year, most of which is not direct costs of treating obesity or related illnesses, but indirect costs to society through lost productivity. Any reduction in obesity achieved by this programme will ultimately therefore flow through into improved economic performance in the long term.

(b) Reaching full potential in education and employment

- 7.2 Poor health is detrimental to both education and employment; consequently health improvement is a key part of this spine.
- 7.3 The Office for National Statistics synthetic estimates of lifestyle behaviours (2003-05) put the adult obesity rate in the city 25.8%, suggesting that there may be in the region of 97,000 obese adults (aged 16+) in the city. The national child measurement programme (2006/07) estimates the childhood obesity rate at 17% (11.5% in Reception, rising to 22.8% in Year 6). If this figure is a reasonable average for the 0-15 age group as a whole, it suggests that there are in excess of 14,000 obese children in the city.
- 7.4 Obesity is a contributory factor in a wide range of health problems, including heart disease, diabetes, high blood pressure and some cancers; obesity shortens life expectancy by an average of nine years. If successful the initiative will therefore have a direct impact on a number of the key Local Area Agreement (LAA) targets under this theme, notably:
- all age all cause mortality (designated target)

- reduced circulatory disease mortality
- reduced cancer mortality
- reduced childhood obesity (designated target).

7.5 The key activity targets set for the scheme are as follows:

- To reach 20-25% population take up of the cards by the end of the third year, with expected conservative reach of circa 40% based on research conducted that indicated a 68% penetration level
- To increase physical activity at recommended levels by two percentage points among cardholders by the end of the third year
- To increase the proportion of cardholders eating five portions of fruit and vegetables a day by two percentage points by the end of the third year

(c) Individual and collective self esteem – mutual respect

7.6 The LAA identifies promoting aspiration, wellbeing and happiness as a priority within this spine. The project supports people to take greater control over their own health and wellbeing through providing motivation and opportunity for people to change their health related behaviour; this increased control, particularly where it is seen to lead to outcomes such as weight loss, is a factor in building self esteem. For many people, obesity is in itself a factor in reduced self esteem.

7.7 In terms of the LAA targets the initiative should directly contribute to at least two:

- improved overall levels of perceived health and wellbeing (designated target)
- increased adult participation in sport.

(d) Neighbourhoods of Choice

7.8 The information that is generated by use of the points4life card could be used to support planning for improvements to services offered in neighbourhoods.

8.0 Key Policies and Considerations

(a) Equal Opportunities

8.1 The new company will establish detailed equal opportunities policies that are in line with those adopted by the City Council and NHS Manchester.

(b) Risk Management

8.2 The business model for the Points4Life scheme will require the private sector managed service provider to enter into a large number of contracts for its delivery.

In order to mitigate the risks of running such a business, robust financial governance and controls will be developed and implemented as part of the establishment of Newco, namely:

- The Board will comprise members who have the relevant mix of skills and expertise;
- Appropriate transfer of financial and commercial risk to Newco's managed service delivery provider;
- Robust budget setting, monitoring and reporting arrangements;
- Appropriate expenditure and contract approval mechanisms and controls; and
- Establishment and regular review of a financial risk register.

Appropriate monitoring and scrutiny arrangements will be put in place and agreed by the Council.

(c) Legal Considerations

8.3 See section 5 above.