

**Manchester City Council
Report for Resolution**

Report To: Executive – 16 February 2011

Subject: Local Government Settlement 2011-13: Implications and Strategic Response

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

Purpose of the Report

This report sets out the implications for the City Council of the Local Government Settlement for 2011/13, having regard to the Medium Term Financial Plan which was approved by the Council last year, and identifies a strategic framework to guide the detailed development of a budget strategy for 2011/13. This report should be read in conjunction with other reports on the agenda, culminating in a report from the Statutory Officers on the issues which need to be taken into account prior to the Council finalising its budget for 2011/12.

Recommendations

The Executive is requested to:

- (i) Note the impact on the City as a result of the final Local Government Settlement as it affects Manchester
- (ii) Agree the strategic principles outlined in paragraphs 31 - 32 of this Report to provide an overall framework for responding to the impact of the settlement, and the delivery of a balanced budget for 2011/13.

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	This report sets out the Strategic Framework for the delivery of a balanced budget for 2011/13. The Framework is aligned to the priorities of the Community Strategy.
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

Implications for:

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

Financial Consequences – Revenue and Capital

Elsewhere on the agenda are the Revenue Budget Report 2011/12 and 2012/13, the four Directorate Budget Proposal Reports, the Capital Programme Report and the Treasury Management Strategy. These reports together with this report, underpin the detailed financial spend of the Council for the coming years and provide a framework for Revenue and Capital planning for the two years 2011/12 and 2012/13.

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Background documents (available for public inspection):

Report to Executive on 22 December re Provisional Local Govt Settlement
Report to Executive on 19 January on Financial Settlement 2011/12 + 2012/13.
Workforce issue
Final Local Government Financial Settlement from CLG 31 January 2011

Background

1. In February 2010, the Council approved a Medium Term Financial Plan (MTFP) for 2010/11 to 2012/13 which described in broad policy terms how the Council intended to invest its financial resources over that period, and continue to deliver its priorities for service improvement and a better quality of life for Manchester residents. The Plan identified in particular the strategic direction and how in detail the resources estimated as available to the council would be allocated to deliver its objectives. One of the key assumptions made in that Plan was, that in the light of the anticipated requirement to reduce the UK's budget deficit, there would be a need to balance fiscal spending generally and reduce public sector spend in particular. The MTFP assumed that over the three year period to 2012/13 there would be a requirement for the City Council to deliver savings of £96m by the end of 2012/13 and that this was to be delivered by a Council Wide Transformation Programme (AIM) the details of which are outlined in this report.
2. The table below sets out the position from the MTFP, including the estimated resources, spending requirement and the level of AIM savings to be achieved.

Table One: 2010/11 to 2012/13 Medium Term Financial Plan Position

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Resources available:			
RSG/NNDR	342,438	342,438	342,438
Council Tax	140,871	141,311	141,715
Area Based Grant (ABG)	58,749	39,168	19,587
Dividends	5,540	5,710	5,890
Specific Reserves (Parking and Capital Fund)	1,853	1,861	1,868
Use of Planning Grant	120	249	0
Total resources available	549,571	530,737	511,498
Resources Needed:			
Contingency	7,930	9,450	12,852
Levies	52,772	58,177	61,900
Capital Financing Costs	45,293	48,467	48,467
Business Plan Targets	463,997	475,172	484,265
Total Resource Requirement	569,992	591,266	607,484
Shortfall of Resources	20,421	60,529	95,986
AIM Savings	-19,803	-59,629	-95,586
Call on GF Reserve	618	900	400

3. In Autumn 2010 the Coalition Government published its Comprehensive Spending Review (CSR) which outlined the spending plans for 2011/12 to 2014/15. This indicated that the Government was planning substantial reductions in public expenditure in order to tackle the fiscal deficit. It was clear that local government would bear a significant proportion of these reductions. The CSR outlined real term reductions of 28% in Central Government funds for local government with local authority core funding falling from £28.5bn in 2010/11 to £22.9bn in 2014/15. The fall in grant was assessed at more than 7 per cent per annum. While the CSR covers a four year period, it was made clear that the following financial settlement, which provides the detail at local authority level, would only cover a two year period (2011/12 and 2012/13). During this time a fundamental review of how local government would be funded in future would be carried out. The CSR also set out some of the parameters for grant funding, in particular the introduction of the pupil premium, the plans for Early Intervention Grant and a reduction in the level of ring fencing. However, no details of the levels of funding for individual authorities were announced.

Assessed Impact of the CSR on Manchester

4. While the precise impact on the Council of the CSR was unclear, Officers made an assessment of the Council's budget position having regard to the pattern of spend published by the CSR and its application to local government. This resulted in officers revising downwards the anticipated level of resources to be available to the Council compared to the MTFP approved in February 2010, as follows:

Table Two: Assessed Impact of the CSR on Manchester

	2011/12 £'000	2012/13 £'000
Resources assumed available after CSR:		
RSG/NNDR	326,319	316,739
Council Tax	139,922	142,951
CT Freeze Grant	3,455	3,455
ABG	10,906	9,820
Dividends	5,640	5,740
Use of Reserves	2,204	2,044
Total resources available	488,446	480,749
Reduction in resources from original assumptions	-42,291	-30,751

5. This assessment meant the Council was facing a further potential shortfall in 2011/12 and in 2012/13.
6. The main changes to our assumptions in coming to the above compared to our previous planning assumptions were:
- Revenue Support Grant would reduce by 4.7% in 2011/12 and 2.9% in 2012/13.
 - Working Neighbourhoods Fund would end on 31 March 2011
 - Some remaining ABG of almost £11m would still be received in 2011/12 but that this will reduce by around 10% year on year going forward
 - We would receive an estimated £3.45m Council Tax freeze grant to compensate for a nil increase in 2011/12
7. While there were continuing risks to specific grants, plans were being developed to offset estimated reductions in specific grant funding of 11% and to assess the impact this would have.

The Financial Settlement

8. The provisional finance settlement was published on 13 December and was one of the most complex settlements for some time. As announced in the CSR it covers just the two years 2011/12 and 2012/13. The main headlines from the settlement were as follows:

- An overall reduction in formula grant of 28%, heavily front loaded with a 11% reduction in formula grant for 2011/12.
 - Over £4bn of grants have been rolled into the Formula Grant. Only the Dedicated Schools Grant (DSG) and the new Public Health grant from 2013 will remain ringfenced. Appendix One shows the detail of the grants that have rolled into Formula Grant.
 - There will be four main non ring fenced grants, Early Intervention Grant for Children's Services, a grant to reflect the transfer of responsibilities from NHS to local authorities for learning disability services (the Learning Disability and Health Reform Grant), the Preventing Homelessness Grant and the Housing and Council Tax Benefits Administration Grant. These all replace existing grants, rather than representing additional funding.
 - Government has developed a new definition "Revenue Spending Power" to identify the level of reductions in funding experienced by local authorities. The spending power is the aggregate of an authority's council tax requirement, formula grant, the non ringfenced grants referred to above and a further transfer of funding due from the NHS for social care. There are a number of exclusions from this definition such as the Direct Schools Grant. Based on this there is an average funding reduction of 4.4% with no authority to have a reduction of more than 8.9% in 2011/12. For those authorities experiencing reductions beyond this level a Transition Grant has been introduced amounting to £85m in 2011/12 and £14m in 2012/13. Manchester is one of the local authorities with a reduction of over 8.9%, and one of the worst hit local authorities, at 11%, and will receive one-off Transition Grant in 2011/12.
 - Damping and scaling to fund authorities below the floor continues.
 - For housing the reform of the Housing Revenue Account will go ahead. The details of the scheme have now been announced, for further consultation, and urgent work is being carried out to assess the impact. The new regime will come into force from 1 April 2012 and will have a significant impact on the HRA.
 - The detail on the proposed New Homes Bonus has yet to be announced.
9. Using the figures in the provisional settlement, Manchester would have received an 11% funding reduction in its 'Revenue Spending Power' as defined above, for 2011/12. In reality this figure will be higher as not all of the funding streams have been included in the baseline published in the settlement. There will be a one-off transition grant of £13.3m in 2011/12 to cap the reduction in 'Revenue Spending Power' at 8.9%. There will be a further funding reduction of 6% in 2012/13, bringing the overall reduction across the two years to 16.4%. However as stated above, when all of the changes to all government grants are taken into account the savings required to balance the budget will be 25% over the two year period.

10. It has been estimated from the settlement that the government will set a capping limit for council tax to be close to 2.5%. The details have not been announced yet. However there is a grant, covering the CSR period, that will be paid to compensate local authorities for having a zero council tax increase, based on the difference between 2.5% and 0%. Manchester will receive an ongoing grant of £3.489m if it freezes council tax for 2011/12. This is already included in the revenue spending power figures.
11. Of the £2.8bn ABG distributed nationally in 10/11 £1.3bn has rolled into the formula grant base, £757m has rolled into Early Intervention grant (EIG), £693m has ended and the details for the home Office element totalling £77m nationally are awaited. The EIG includes a variety of previous specific grants and ABG. Overall the EIG grant has reduced by £8m from 2010/11 (note part of this was announced as part of the in year funding reductions of ABG in 2010/11). It includes Surestart and Early Years grants, Think family and funding for youth services and ABG funding (in particular Connexions and Positive Activities for Young People). The other grants are broadly in line with current funding levels.
12. Supporting People Grant totalling £1.6bn was previously received via ABG funding but will be rolled into Formula Grant. This has only decreased nationally by £11m but the way in which this funding is to be distributed has changed. This change has caused a significant shift in funding between authority areas. London Councils see an increase of almost £39m (although some London authorities have lost significant amounts), whilst Metropolitan and Shire authorities see reductions of £29m and £21m respectively. Locally, Manchester has seen a reduction of £12.6m or 35% next year.
13. The settlement for schools is equally complex. The settlement introduced the pupil premium which is a resource that will be available to school budgets. For each pupil on roll at January 2011 entitled to free school meals, the school will receive £430 next year. The Premium is estimated to be approximately £8m for schools in Manchester. However this is offset by a reduction in other grant funding, including the devolved formula capital grant and harnessing technology grant, of the same amount. The impact on individual schools will vary with schools with low numbers of free school meals potentially losing as they will lose funding on the devolved formula capital reductions and not gain much from the Pupil Premium.

Final Settlement

14. The final financial settlement was announced on 31 January and had changed very little from the provisional grant settlement. The final settlement took account of a number of data errors contained in the provisional settlement including the allocations of Housing Market Renewal Grant, LSC funding for staff transfers and Road Safety Grant. In addition the cap on reduction in spending power was reduced from 8.9% to 8.8%. The combination of these has seen Manchester's resources from the settlement reduce in 2011/12 by just £46,000 (an increase in formula grant of £213,000 and a reduction in

Transitional Grant of £259,000). The formula grant for 2012/13 has increased slightly by £197,000.

15. Direct comparisons of the Council's resource capacity after the final settlement with previous analysis is not easy as many previously received specific grants, that would have been included within individual cash limits, have been rolled into the general grant settlement, rolled into other grants (eg Early Intervention Grant) or ceased altogether. There remains some uncertainty over a number of smaller grants where detailed announcements are awaited. The officers' assessment of the overall resource position shows an overall and future worsening of the resources available of almost £60m over the next two years, compared with the assessment which was undertaken immediately following the CSR.
16. The overall change in resources is shown in the following table (note the 2010/11 figures have been adjusted to come in to line with how Government Support will be received in 2011/12 onwards to make figures more comparable):

Table Three: Changes in Resources following the Financial Settlement

	Adjusted 2010/11 £'000	2011/12 £'000	2012/13 £'000
General Government Grant (RSG + NNDR)	397,533	354,016	326,910
Area Based Grant (not rolled in to RSG or EIG)	32,999	0	0
Early Intervention Grant	34,244	29,828	30,375
Learning Disability Grant	14,159	14,480	14,822
Other Specific Grants	11,357	7,757	7,622
Transfer funding from NHS	0	7,372	7,064
Transitional Grant	0	13,073	0
Total Government Resources*	490,292	426,526	386,793

* Excludes grant available for setting a 0% council tax increase

Calls Against Resources

17. The revenue budget report elsewhere on the agenda summarises the budget shortfall based upon departmental requirements, levies, contingency, budgets to be allocated, capital financing costs, proposals for additional investment and growth items. These requirements assume that inflation costs over the next two years will be met from general procurement savings; that pay inflation will be nil per cent and that the cost of employer pension contributions will increase at one per cent per annum for each of the next three years. The position is summarised in the table below:

Table Four: Total Budget Shortfall and Savings 2011/12 and 2012/13

	2011/12 £'000	2012/13 £'000
Resources:		
Government Support	378,209	337,463
Council Tax Receipts	142,588	144,328
Non Ringfenced Grants	52,065	52,819
Dividends and Reserves	8,594	7,980
Total Resources	581,456	542,590
Calls on Resources:		
Corporate Requirements	114,742	127,823
Business Plan Targets	549,387	552,953
Additional Growth and Investment	13,659	13,577
Total Call on Resources	677,788	694,353
Budget Shortfall	96,332	151,763
Corporate Budget Pressures *	12,500	18,000
Total Budget Shortfall	108,832	169,763
Existing AIM and ABG Review Savings	42,633	65,523
Further Corporate Budget Savings *	12,500	18,000
Further Departmental Savings	53,699	86,240
Total Savings Requirement	108,832	169,763

18. With the changes to the final Settlement, the overall budget shortfall for 2011/12 reduced to £109m, rising to £170m in 2012/13.
19. The Corporate budget pressures and savings relate to inflation costs, which are being offset by procurement savings, the capital financing costs for the Voluntary Early Retirement (VER) and Voluntary Severance Scheme (VSS), which are being offset by savings elsewhere in the capital financing budget, and savings achieved in the levies from the Integrated Transport Authority and Waste Disposal Authority.
20. Therefore, whilst the Council was already planning an in year saving of over £40m for 2011/12, with the additional reduction in resources arising from the financial settlement, this increases the overall savings requirement to £109m in that year.
21. The rest of this report sets out the Council's approach to achieving a balanced budget for the next two years.

The Council's Transformation Programme (AIM)

22. The Council has pursued a programme of service improvements and efficiencies which has delivered savings of £55m over the last two years. An extended transformation programme (AIM) identified an additional £96m in savings, which formed a fundamental part of our Medium Term Financial Plan (2010/11 to 2012/13), which was approved last year. AIM focused upon a series of cross-cutting strategies, new ways of working and the introduction of new operating models which were designed to drive new efficiencies and improvements to support the Council's priorities of promoting growth, reducing dependency and promoting neighbourhoods of choice.

23. The Transformation programme has been underpinned by a number of design principles;

A: Customer

- the Council becoming a single customer organisation
- the presentation of a corporate 1st point of contact for all customers
- a shift where appropriate to cheaper access channels

B: Assessment

- movement to criteria/rules based assessment
- the development of a single assessment framework
- assessment as part of the 1st point of contact or self-assessment
- the development of on-line self-service for customers and staff wherever possible

C: Flexible/ Mobile Working

- reduction in the number of desks/PC's/estate requirements through flexible working, hot desking etc
- increasing the ratio of frontline staff compared to back office staff
- more effective exploitation of new technology

D: Professional Functions

- the development of Centres of Excellence for HR, Finance, Strategy, Research, Performance, Communications and Commissioning
- the consolidation of ICT- infrastructure, budget and people

E: Management and Administration

- a reduction in the layers of management
- a reduction in the amount of administration and business/technical support

24. The design principles have been central to the production of new Target Operating Models for all directorates and a movement to a more

commissioning based approach for Adults and Children's Services, a greater focus on the delivery of neighbourhood services and a smaller core, bringing into one place those professional functions which are essential to service delivery eg finance, ICT, HR etc. The transformational changes would drive a range of benefits for customers, staff, business processes, in addition to driving efficiencies through reduced staffing costs, income etc through smarter procurement and shared services.

25. The Customer Service Programme is a key component of these changes. A new call service centre has been established at One First Street, Phase 1 of a new customer service relationship system providing a single focus for processing service requests has been delivered, and a single telephone number, email address, etc. has been established to access all Council services. New access channels have been established, alongside new intranet and pilots of self-service kiosks. These are the essential platforms for the new provision of a corporate contact centre, neighbourhood access to more Council services through libraries, greater access to services on-line and through different communication channels, and further extensions of the customer relationship systems to all services.
26. Work has also been progressed on cross-cutting initiatives - assessment, communications, customer strategies, standardised finance and HR processes, business support, ICT rationalisation, flexible working, smaller core and commissioning and contract management- which account for £25.8m of the planned savings. Alongside these workstreams, rationalisation of the Council's property portfolio is also underway, and the Town Hall transformation programme is leading the way on flexible and agile working to ensure the most efficient space and piloting new ways of working.
27. Reports elsewhere on this agenda explain how individual directorates are embracing the transformation programme within the terms of their service priorities and budget and business planning processes.

Overall Strategy for achieving Additional Savings

28. The outcome of the Local Government Settlement for Manchester means that the council's response must extend beyond the delivery of efficiencies; as described above, the AIM programme already factors these in to our budget planning which coupled with efficiencies captured over the last two years are planned to deliver a total of over £150m by 2013/4. To deliver the savings required over the next two years over and above what has been planned - £66m in 2011/2, rising to £104m in 2012/3 - requires a fundamental review of all spending and the determination of clear priorities which needs to take into account the economic and social circumstances of the City. Since the 1980s the City's economic performance has been stronger than most and has seen not only significant growth and job creation, but an increase in its resident population. Since the lows following the early-1990s recession, figures for 2010, taking into account the recent recession, show that economic output has increased by a half in real terms (the equivalent of £4.2bn or 49%) and the number of jobs has risen by 45,900 (17%). After declining throughout the

1980s and much of the 1990s, Manchester's population has increased rapidly (by 71,000 or 17%) since 2000. All projections of the impact of the fiscal policies announced in the CSR demonstrate that Manchester and the wider region will lose a very significant number of jobs over the coming months - Manchester is expected to lose over 11,000 jobs in the public and private sectors. Reforms to benefit entitlements will also mean that welfare payments to Manchester residents will fall significantly, by an estimated £180m per year by 2014/15. However, forecasts also show that within Greater Manchester there is the capacity to create over 74,000 jobs over the next 5 years, with Manchester expected to contribute two-fifths (40%) of these jobs. The trend of the previous decade is therefore forecast to continue for the next: the Regional Centre will dominate in terms of GVA, employment and population growth. One of our biggest challenges is to ensure that local residents are equipped with the skills to enable them to access the jobs of the future; this will require reform of public services at a local and national level focussing upon the underlying causes of deprivation, promoting more independence and being even more efficient in meeting (and reducing) the levels of demand for high dependency services.

29. Only the Council has the leadership capacity to protect the City's future, and chart a new direction about how public services must reform to meet the needs of residents going forward. That means not only having to take very difficult decisions about spending priorities and reductions in services which meet a significantly reduced spending capacity over the next few years, but in doing so, take into account the longer term priorities of the City so that its positioning as a national growth Centre is at least maintained, if not enhanced.
30. The Council also undertook a budget consultation process in December to gain feedback from Manchester Residents on whether they believe that the priorities that the Council has set are the right ones. Whilst this consultation was prior to the announcement of the Provisional Financial Settlement, and hence does not cover the proposals for the much deeper savings now required, the feedback has been used to inform the strategy going forward. The Revenue Budget Report elsewhere on the agenda outlines the further consultation planned.
31. Following discussions between the Chief Executive, City Treasurer and the Leader and Executive Member for Finance and Human Resources, the need for a balanced approach to the budget has been emphasised. This has led to the following framework being identified:
 - Continue to balance short-term requirements with a long-term view of where we are taking the city.
 - Continue to promote economic growth, job creation, and the ability of Manchester residents to access those jobs.
 - Continue to promote independence and reduce dependency, including through early intervention and preventative action.

- Continue to safeguard those in greatest need.
- Maintain successful neighbourhoods and avoid a return to declining population and the problems that brings.
- Maintain a balance to supporting opportunity and targeting on areas of greatest need.
- Take decisions and implement them quickly to minimise the scale of the cuts,

And all in a way that is driven by the pride, people, place values of the Council and increases fairness and promotes environmental sustainability.

32. Taking into account this context as a whole the following principles have been determined to guide the Council through this highly challenging process;

A: Leadership for Reform

- Budget decisions should be taken from the perspective of our responsibility for the long term strategic leadership of the City and for leading the reform of public services.
- Our principal focus must be to create the conditions for economic growth - promoting private sector investment, creating jobs, reducing worklessness and dependency.
- When we are forced to move away from direct universal provision we must prioritise supporting external leaders of universal services to raise standards for all, enabling all residents to reach their potential to access jobs and wealth.

B: Universal Services

- Our role in relation to Universal services will include some direct provision, but increasingly should relate to strategic commissioning, planning provision to meet need, and ensuring the delivery of the highest standards of services.
- Our responsibilities must also be to ensure that Universal services play their full part in reducing dependency and promoting growth.

C: Targeted Services

- We need to provide sufficient resources to provide for effective safeguarding and to protect the most vulnerable residents.
- We should pioneer a radical new approach to integrated, targeted and specialist services to reduce dependency with families with the most

complex needs with a single pot of funding which can include funding contributions from partners.

- The role of Regeneration must be developed as the key to integrated commissioning to tackle worklessness at neighbourhood level and to co-ordinate investment priorities based upon place,

D: Neighbourhoods

- Budgets should be neighbourhood focused, wherever possible with integrated delivery teams providing all residents better services at less cost.
- A new Community Services focus should be developed involving culture, Libraries, Leisure and Youth which should also be subject to integrated commissioning.

E: Core

- Additional Centres of Excellence should be developed to drive the public sector reform agenda on Investment models etc and strategic development.
- The protection of front line services will drive reduction in the back office staff.
- The Council's leadership role in relationship to AGMA and, from 1 April 2011, the Combined Authority, should remain focused on supporting growth and job creation, with a more sharply focused strategic planning, housing and regeneration capacity.

33. Reports elsewhere on this agenda from individual directorates will set out the overall approach and savings proposals, both to the original AIM savings and the additional savings in line with the principles outlines above.

Manchester Investment Fund

34. In order to take forward this work, it is proposed to pull together budgets that are focused on complex families into a single budget across the council. This will cover Supporting People, targeted support for 0-5's, Drugs and Alcohol commissioning budgets and family interventions currently commissioned by the Crime and Disorder Team. By pooling these funding streams the intention is to change how they are currently used to ensure a co-ordinated approach to working with complex families and ensure that limited resources are focussed on those interventions that are proven to make a difference.

Workforce Impact

35. The Transformation Programme (with its associated £96m savings to be achieved over three years, ie by 2012/13) required a reduction of

approximately 1,000 full time equivalent (FTE) posts, which equated to a ten per cent reduction of the workforce, with an FTE saving in the region of £35m over the three year period. Workforce data indicated that this could be achieved by natural turnover supported by:

- (i) a restriction or freeze on external recruitment and managing employee turnover through vacancy clearance
- (ii) reducing deployment of agency staff, temporary staff and contractors
- (iii) successful implementation of M People, through flexible contracts of employment and staff development, to support transition to bridge skills gaps and /or into new challenging roles

36. However employee turnover has slowed significantly since 2009, with leavers being concentrated in lower graded posts having an average salary of £24k (before oncosts). This mirrors turnover trends in other public sector organisations. The impact of this has been that the net number of leavers has not made a significant impact on reducing the payroll and therefore more posts will need to be reduced to achieve the FTE savings.
37. The outcome of the Final Settlement for the Council has greatly increased the costs reduction required, which is also front loaded. The necessary reduction is now likely to be in the region of 2,000 FTE posts and to increase the level of people related savings from £35m to circa £70m. The report of the Statutory Officers, elsewhere on the agenda, reviews the detailed impact of the total savings where staff is concerned. The reduction in management (posts graded 11 and above - £42k upwards) is likely to increase from 21% (as per the Transformation Programme) to a 41% reduction, once all savings proposals are taken into account. To mitigate the significant sudden change for the workforce, many of whom will be residents within the City, a time limited voluntary early retirement scheme and voluntary severance scheme available to all staff has been implemented. This is underpinned by MPeople, which through its trial period, has shown it can be highly effective. This is being used alongside the central tight management of vacancies and performance, to ensure that the Council maximizes its skills and expertise of existing staff. The MPeople principles include two related areas, offering appropriate support to employees through change processes and enabling them to make effective career choices. This has always included supporting staff to make decisions which enable them to consider other job and life options, including leaving the Council's employment. The Council's agreed Voluntary Severance Scheme (VSS) captures this approach and aims to minimise the possibility of compulsory redundancies as a result of the Financial Settlement. The impact of the Voluntary Severance Scheme is considered further in the report elsewhere on the agenda from statutory officers.

Conclusion

38. This report sets out the overall financial position and the budget shortfall against available resources. It also sets out the Council's strategy for

identifying savings measures to achieve a balanced budget over the next two years.

39. The detailed proposals are explained in the accompanying reports from Strategic Directors.
40. The final report of the statutory officers sets out the overall financial position after the savings measures, which are outlined in the next four reports. It also sets out the legal and HR issues related to the budget, in addition to the City Treasurer's assessment on the robustness of the estimates and the adequacy of reserves, as well as the position on all of the financial reserves.
41. Detailed recommendations appear at the front of the report.

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Appendix One

Grants which have rolled into Formula Grant

Concessionary Travel	3.470
Child Death Review Processes	0.120
Care Matters White Paper	1.052
Mobile Homes Act	0.002
Economic Assessment Duty	0.065
2010-11 Mental Health Grant	2.272
2010-11 Child and Adolescent Mental Health Grant	1.594
2010-11 Learning and Disability Development Fund	0.645
2010-11 Mental Capacity Act and Independent Mental Capacity	0.348
2010-11 Carers Grant	3.040
2010-11 Adult Social Care Workforce Grant	1.590
2010-11 Local Involvement Networks funding	0.287
Personal Social Services	2.809
Road Safety Grant	0.481
Local Transport Services	0.362
Supporting People	35.756
Housing Strategy for Older People	0.315
LSC Staff Transfer	0.342
HIV/AIDS	0.730
Preserved Rights	1.206

Changes to Functions / other adjustments

Mobile Homes Act	0.002
Private Sewers	-0.205
Planning Inspectorate SUDs Appeals Costs	-0.011
Academies (top slice to fund central administration of academies)	-1.331