



MANCHESTER
CITY COUNCIL

Budget Proposals

16 January 2013

**Sir Richard Leese, Leader Manchester City Council
Cllr Jeff Smith – Finance and HR Executive Member**

Introduction

- Today the Council publishes its draft budget proposals for 2013/14 – 2014/15
- Already made savings of £170m. 28% reduction of the budget.
- The Council needs to make around a further £80m / 15% savings over next 2 years – to meet government funding reductions and unavoidable costs increases e.g. increased costs of waste and transport levies, inflation and population rises including allowances for increased demographic issues such as learning difficulties and support for mental health (not taken into account by the government settlement)
- Details of saving proposals for £40m next financial year, rising to £78m the following year
- Manchester is the fourth most deprived local authority in the country but is one of the hardest hit metropolitan authority outside London

* still awaiting final figures

Changes to how we are funded

- Local Government Resource Review and the partial re-localisation of business rates – have to achieve a certain level of income and take on 50% of the risk of all outstanding appeals and backdating costs – volatile
- Changes to the Council Tax system with the localisation of council tax support and associated reduction in funding – risks transferred to local councils
- Reform of the funding arrangements for schools from 2013/14
- Transfer and responsibility for public health functions from 1 April 2013

Budget comparison 2010/11 to 2014/15

	2010/11	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m	£m
Resources Available	696	581	546	526	501
Calls against resources:					
Corporate Items (Including Levies, contingencies and Capital Financing)	106	108	118	124	128
Departmental Costs	590	473	428	442	454
Total Calls Against Resources	696	581	546	566	582
Total Shortfall	0	0	0	40	81
FTE Reduction		1,681	344	562	268

Start Up Funding	2012/13	CLG Adjusted Figure	2013/14 MCC allocation (£m)	2014/15 MCC allocation (£m)
	(£m)	(£m)		
Formula Grant ¹	326.91	326.91	311.45	312.981
LACSEG Adjustment	-5.80	-9.93		
Council Tax Support Grant	42.31	37.387	37.387	
Council Tax Freeze Grant 2012/13 (one-off)	3.552	3.552		
Council Tax Freeze Grant 2011/12	3.502	3.502	3.502	3.502
Early Intervention Grant	31.172	25.300	22.000	20.598
Preventing Homelessness	1.369	1.203	1.203	1.203
Lead Local Flood Authority Grant	0.217	0.134	0.134	0.134
Learning Disability Grant	14.837	14.837	15.241	15.62
Start-Up Funding	418.069	402.895	390.917	354.038
Year on Year Reduction - To unadjusted figure (£m)			-27.152	-36.879
Year on Year Reduction - To unadjusted figure (%)			-6.5%	-9.4%
Year on Year Reduction - To Adjusted figure (£m)			-11.978	-36.879
Year on Year Reduction - To Adjusted figure (%)			-3.0%	-9.4%

¹Excluding changes in council tax taxbase, i.e. growth

Manchester's reduction

Table below shows the Government's Spending Power Reduction calculation for Core Cities and Greater Manchester

	13/14 Spending Power reduction	14/15 Spending Power reduction	Overall Reduction
England	-1.7%	-3.8%	-5.5%
Bolton	-1.8%	-4.9%	-6.6%
Bury	-2.4%	-4.0%	-6.3%
Manchester	-1.8%	-6.5%	-8.2%
Oldham	-1.9%	-5.6%	-7.4%
Rochdale	-2.3%	-5.1%	-7.3%
Salford	-1.0%	-4.7%	-5.6%
Stockport	-2.3%	-3.5%	-5.6%
Tameside	-1.7%	-4.9%	-6.4%
Trafford	-2.8%	-3.7%	-6.4%
Wigan	-2.2%	-4.9%	-6.9%
Birmingham	-1.1%	-6.0%	-7.0%
Bristol	-2.5%	-4.0%	-6.4%
Leeds	-2.3%	-4.6%	-6.9%
Liverpool	-1.7%	-6.2%	-7.7%
Newcastle upon Tyne	-1.5%	-5.4%	-6.8%
Nottingham	-0.5%	-5.7%	-6.1%
Sheffield	-2.3%	-5.2%	-7.3%

Manchester's reduction

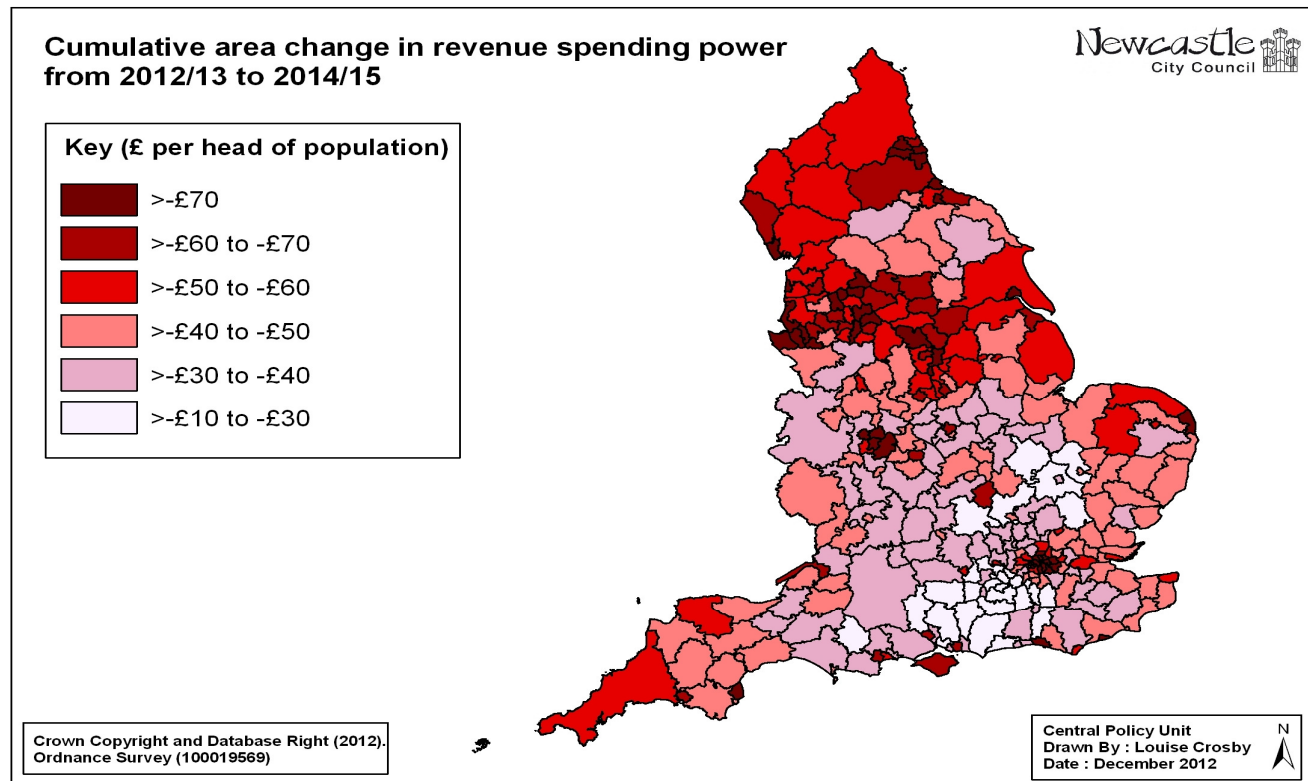
Based on spending power:

- Council Tax
- New Homes Bonus
- Start Up Funding (RSG and estimated business rate income, Council Tax Support Grant and Early Intervention Grant or EIG)
- Specific Grants
- NHS Transfer of funding that benefits health

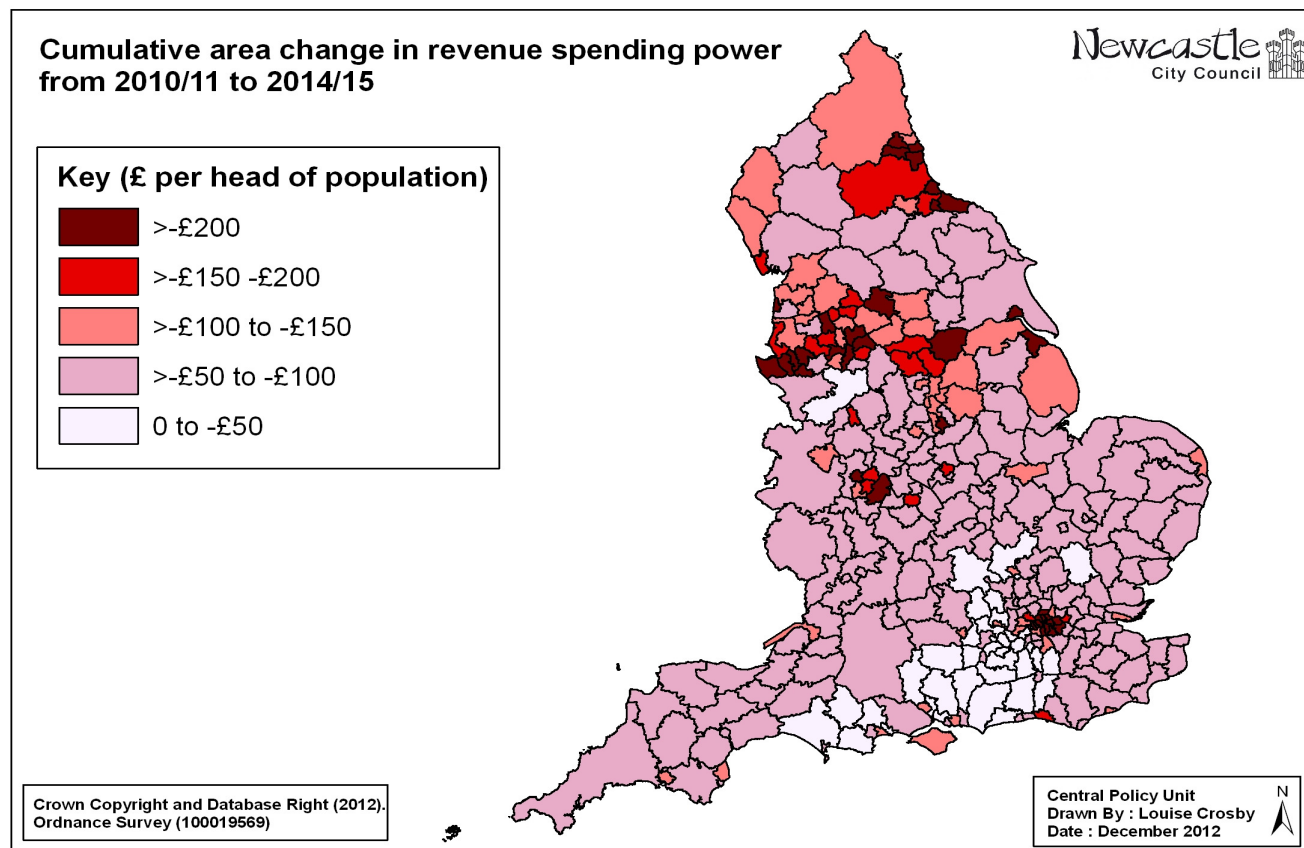
2012/13 Start Up funding adjusted so it already includes reductions in Council Tax Support Grant and EIG

Due to Adjustments to Start Up Funding the real reduction in funding for 2013/14 is £30m or – 5.13%

Cuts per person

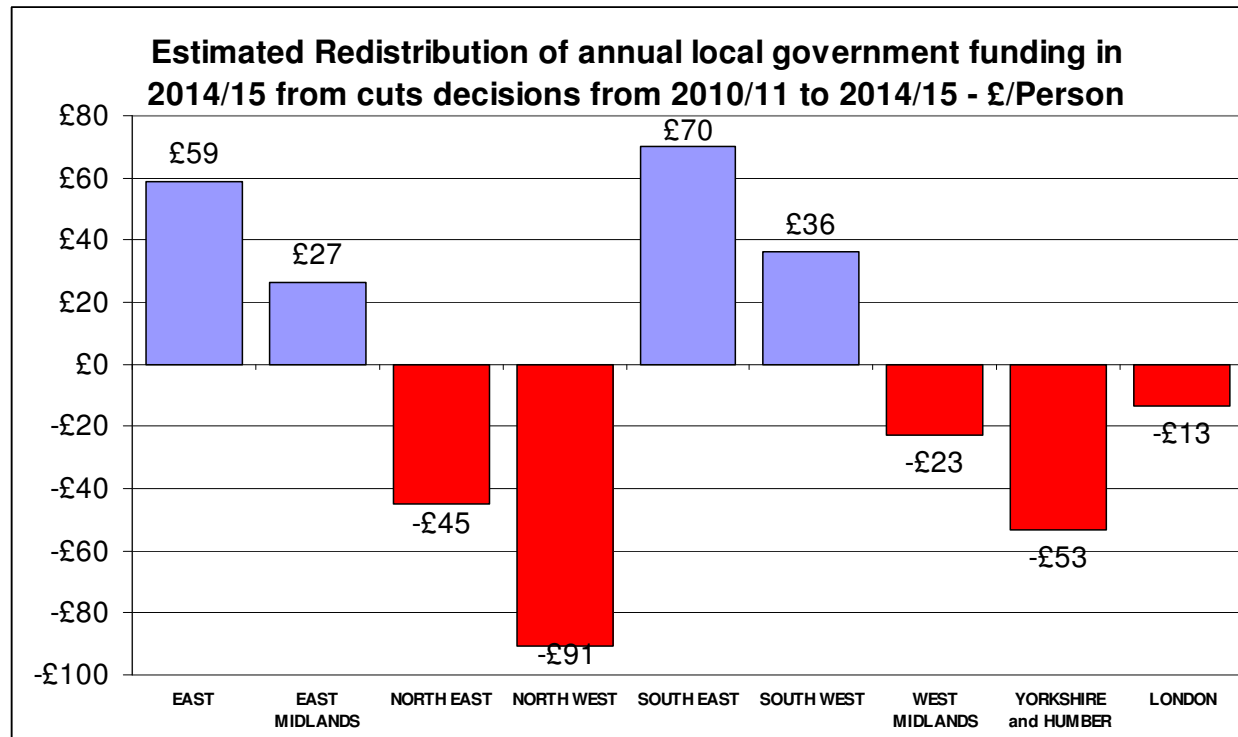


Changes in 4 years

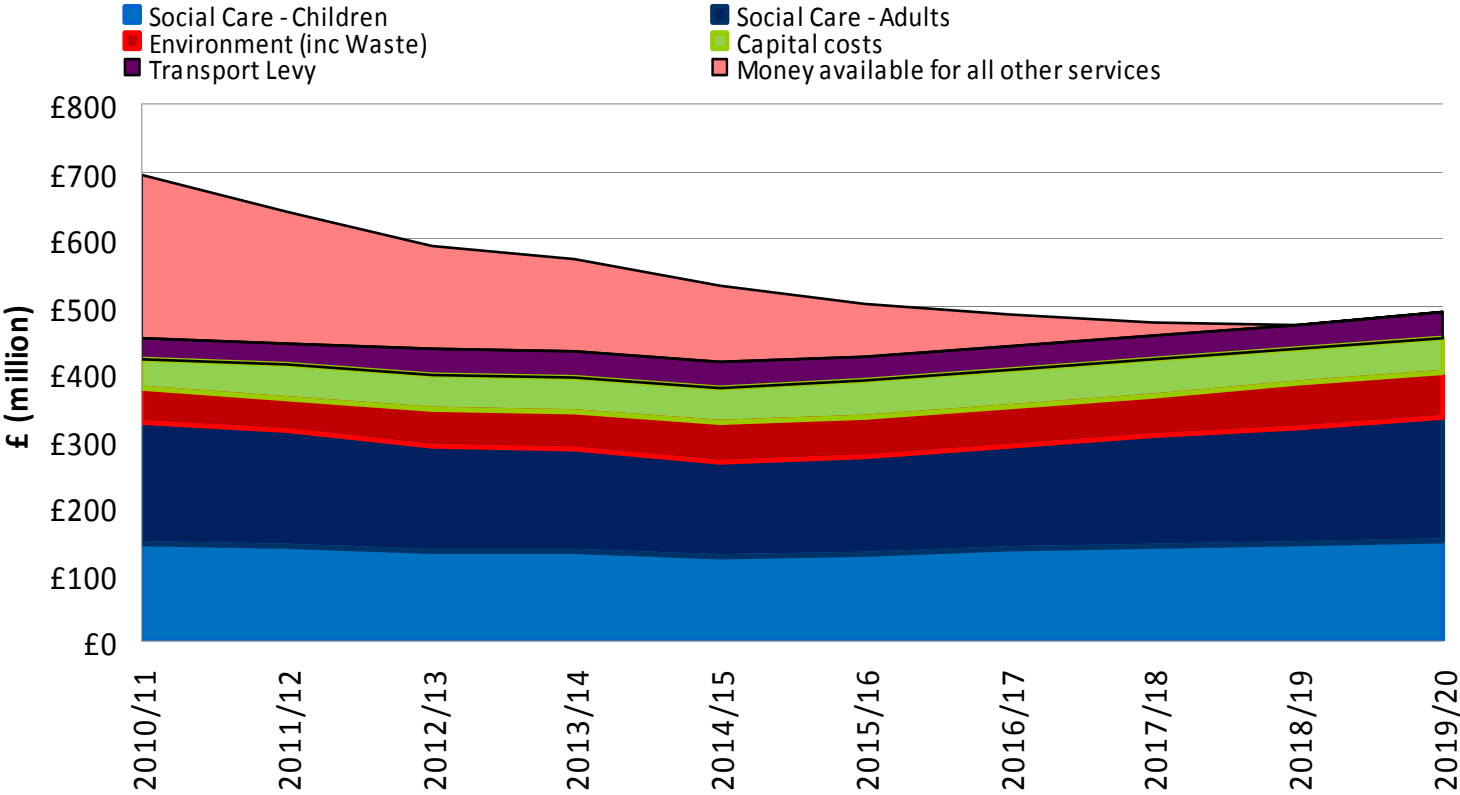


Changes in 4 years by region – NW Av. Cut

- NW – reduction in spending power -£235
- NW – estimated redistribution of funding -£648
- NW – difference compared to England's av. Cut / person -£91



LGA financial model – future trends



Financial summary

- Reports identify £68m savings across the two year period with the aim to achieve £80m as proposed savings measures are implemented that reduce longer term demand for services
- Reserves (£10m) will be used as a 'one off' to help bridge the gap
- Workforce impact is estimated to be c830 FTE over the next two years in addition to the 2,000 FTE already reduced (aiming to achieve via voluntary severance and retirement scheme) with approximately 42% reduction in management
- The Financial Settlement covers the period 2013/14 to 2014/15 – the budget for 2015/16 and beyond has not been confirmed but the Autumn Statement refers to reductions on a similar scale to those in 2010/11 to 2014/15

Overall Council objectives

The Council must lead and protect the City's future in these challenging times.

We need a balanced budget but will stay focused on our three priorities:

- 1) **People Based Reform** - Continue to promote independence and reduce dependency, including early intervention and prevention action. Our initiatives include earlier and more joined-up services for families e.g. working across agencies to tackle multiple and complex needs e.g. Troubled Families, safeguarding those most in need and integrated health and social care
- 2) **Place** – the Council's pivotal role in securing the social, physical and economic future of the city including education; cultural, sport and housing; as well as ensuring the city is clean and green, well maintained and safe and residents take pride in their surroundings and working with communities and the police to tackle crime and anti-social behaviour
- 3) **Growth** - Manchester's role as a national engine of growth, to create jobs and ensure residents can access them

Draft budget proposals

There are three detailed reports that outline the draft saving proposals:

- Integrated Commissioning and Integrated Delivery **£41.7m** (14% of net budget)
- Neighbourhood Services **£11.8m** (13% of net budget)
- The Core (including Chief Executives and Corporate Services) **£14.7m** (20% of net budget)

These total £68.1m, reserves of £10.3m are being used to bridge the gap until savings associated with reducing demand for services for people with high needs can be fully achieved.

The following slides give a few budget proposal headlines for each area.

Draft budget proposals – Integrated Commissioning and Integrated Delivery

Savings 2011/12 & 2012/13

Adults £39.5m & Children's £45m

Current Budget 2012/13

£289.3m net

Investment need

£11.5m re-invested

Post settlement saving (next 2 years)

£41.7m (adults, children's & health)

14% of total net budget

Population growth and increased demand for services like mental health and learning disabilities requires re-investment for unavoidable pressures

Integrated delivery & commissioning financial drivers

- £41.7m reduction from targeted and specialist services
- Need to make 2 fundamental changes:
 - 1. Set of strategic and integrated commissioning arrangements to reduce demand:**
 - New delivery model – evidence based interventions and better outcomes for families
 - Deeper partnerships with education and health partners – joined up solutions
 - Integrated commissioning and contract efficiencies
 - 2. Set of Integrated Delivery Arrangements (whole family working):**
 - Social care with primary and community health
 - Integrated public health, adults and children's services and large scale care integration across the city via new deliver and investment models
 - Single front door access for customers and integrated assessment and bespoke packages of services for families to improve lives and release savings
 - Neighbourhood focus - from 11 Districts to 3 Localities which are co-terminus with health, hospitals and Clinical Commissioning Group
- Whilst ensuring statutory duties for children and adults are maintained and families protected

Key changes

Key Changes	Anticipated Implications
Senior Management	
<ul style="list-style-type: none"> •Disestablish the Children and Adults management structures 	<ul style="list-style-type: none"> •Establish new senior structures for Commissioning and Delivery
Integration of Children's & Adults Social Care	
<ul style="list-style-type: none"> •Reductions in demand •New virtual front door and integrated assessment •Move to three localities in year 1 •Move to full integration, where it makes sense, in year 2 •Introduction of family lead model •On-line assessments (where appropriate) and automated referrals from partners 	<ul style="list-style-type: none"> •Significant management de-layering •Some reduction in front line staff
Service for Looked after Children	
<ul style="list-style-type: none"> •Increase use of foster care •Reduce demand through evidence based interventions •Possible commissioning of foster care recruitment •Faster movement into permanence 	<ul style="list-style-type: none"> •Planned withdrawal from 2 residential homes •Decommission further residential beds from internal and external provision over 3 years •Anticipated staff reductions over 3 years

Key changes

Key Changes	Anticipated Implications
Commissioning	
<ul style="list-style-type: none"> • Create commissioning hub • Creation of Integrated Strategic Commissioning function across life course, specialisms and localities • Support development of new delivery models and significant reductions in demand 	<ul style="list-style-type: none"> • Anticipated staff reductions across Adults and Children's
Care Provision	
<ul style="list-style-type: none"> • New menu of choice for customers and current users of day services linked to individual budgets • New models for Homelessness, Supported Accommodation & Day Care Services • Internal provision to focus on supporting customers with most complex needs • Increased use of alternative providers 	<ul style="list-style-type: none"> • Significant staff reduction • Appointment of alternative providers to take over management of some homes • Reduced in-house provision (day centre proposed rationalisation based on low occupancy) to create capacity within the service
Business Support Services	
<ul style="list-style-type: none"> • Review of support services capacity to align with Centre of Excellence model and consider integration options 	<ul style="list-style-type: none"> • Small staff reductions

Draft budget proposals - Neighbourhood Services

Savings 2011/12 & 2012/13	£30m
Current Budget 2012/13	£94m net
Post settlement saving (next 2 years)	£11.8m 13% of total net budget

Neighbourhood services have transformed from 19 departments down to 3 and despite growing populations (over 80k more residents in the last 10 years) achieved significant reductions and efficiencies.

Additional Neighborhood's savings will be supported by:

- Further collaboration with partners, particularly the police
- Integration of community and cultural services and facilities
- Focus on getting the basics right – clean, safe, tackle crime and asb and a focus on quality rather than quantity of libraries and sports facilities
- Help build resilient communities via behavior change that reduce demand on services

Neighbourhood Services draft saving proposals

- **Further collaboration** with partners to reduce duplication and strengthen service delivery e.g. fleet management and maintenance and environmental strategy team working across AGMA
- **Increased Income** - trading services reducing expenditure and/or increase income so they drive profit or are cost neutral or break even, if this can't be achieved ceasing to provide the service will be considered
- **Integration of teams** e.g. community and cultural services
- **Reduction of staff** and streamlining of management by integrating teams, working in collaboration, reducing frequency or stopping some service delivery
- **Efficiencies** – further savings across all areas and contract efficiencies
- **Waste** - Reducing in recycling costs (moving to fortnightly green waste collection, reducing free bulky collections and small black bins to reduce waste levy)

Leisure proposals

Indoor Leisure

- Invest in 3 new facilities - providing fewer but quality facilities
- Current swimming pool usage (excluding school lessons) is low
- Modern facilities will increase usage - proposals include investment in new facilities (one off £10m investment on top of already funded pool)
 - Chorlton/Withington replaced by Hough End pool (spring 2015)
 - New leisure centre and library in Levenshulme (spring 2015) to replace existing facilities
 - Already funded new pool in Beswick (autumn 2014)
- 4 pools are proposed to close – Broadway, Levenshulme, Miles Platting and Withington

Libraries proposals

Libraries

- Proposed replacement of some small or old libraries with outreach libraries or community book collections in alternative community premises as successfully achieved in Clayton and Northern Moor
- The libraries affected are Burnage, Fallowfield, Miles Platting, New Moston and Northenden. Levenshulme Library is proposed to close but a new library facility with the proposed new leisure centre will replace it
- Lunchtime opening, which was withdrawn in 2011 will be reinstated to neighbourhood libraries to improve access - 99.9% of residents will be within 2 miles and almost 85% within one mile of a library

Budget Proposals - The Core

Savings 2011/12 & 2012/13	£29m
Current budget 2012/13	Net £74.5m
Post settlement saving (next 2 years)	£14.7m c.20% of total net budget

The core includes departments such as finance, personnel, legal, procurement, property, and communications etc. that support service delivery for neighbourhood and target and specialist services – the core will cost less but have more impact

However, the core will stay focused on creating the conditions for economic growth, job creation and reductions in dependency on public services

Investment is necessary in ICT and the Intelligence Hub to support the integrated delivery model and savings via the use of intelligence and technology will drive efficiencies

The challenges are not just about bottom lines and balance sheets : behavioural change and fundamental changes in the way things are done are essential

Behaviour

- Changing structures and processes won't produce scale and pace of change alone to achieve Council's priorities
- Significant and sustainable change will only be achieved by changing behaviours
- Behaviour change has been prioritised in areas of digital, whole family working, waste and recycling and integrated customer journeys
- Clearly articulated behaviours will be identified in these priority areas and these will be embedded in strategies, policies and service delivery to drive positive behaviours
- Disincentives will also be considered to reduce negative behaviours which are detrimental for individual communities

Reserves

The Council holds a number of reserves, all of which aside from the General Fund Reserve of £24m have been set aside to meet specific future expenditure or risks for example:

- Statutory reserves – such as the Parking Reserve, where the use of these monies is defined in statute
- PFI Reserves – held to meet costs across the life of the PFI schemes – e.g. street lighting
- Schools reserves – £31m which the council cannot utilise
- Reserves held to support capital schemes

Examples of recent use of reserves:

- £19m in 2012/13 to support the VER/VS scheme
- £10.3m in 2014/15 to support delivery of savings for Targeted and Specialist Services
- £6.1m in 2013/14 and £6.4m in 2014/15 from the Bus Lane and Parking reserves to support relevant revenue expenditure (has to be spent on highway and road improvements)

Council tax

- Council tax has been frozen for the past 3 years and for a decade any increases have been below inflation resulting in one of the lowest council tax bills in the country
- The Council Tax bill is made up of three elements
 - 1) Funding to support Manchester City Council's budget
 - 2) Funding for levies paid e.g. Transport and waste
 - 3) Additional precepts charged by the police and fire service
- A one-off grant is offered by government to help offset rises to council tax, which the council has previously accepted, this equates to £1.44m for 2013/14 –**Not sustainable** – the rising cost of levies for waste disposal & transport that make up part of the overall Council Tax can't continue to be absorbed anymore
- Therefore, the proposals suggest a 3.7% rise to council tax (excluding precepts)
- Accepting the freeze grant = finding an extra £2.5m of savings per year in 2013/14 and 2014/15, rising to £4m per year from 2015/16 onward compared to proposed increase

Council Tax (2)

- Whilst the overall level of council tax is increasing by 3.7%, the proportion retained to fund City Council services will reduce by 2.4%
 - Average proposed council tax increase of £2.68 per month
- The police and fire precepts have yet to be set, but the total increase including precepts will be no higher than 3.9%.
- To spread the cost payments can now be spread across 12 rather than 10 months
- Despite proposed rise, Manchester Council Tax will still be one of the lowest in the UK

Staff implications

The savings schedules identify c830 FTE reductions (c11% of the workforce) with a value of c£24m, this equates to c 30% of the total savings coming from the workforce.

Management has reduced by approx. 42% since 2010

Directorate	Approx. FTE reduction over 2/3 years	
Integrated Commissioning and Integrated Delivery	417 FTE	£13.9M
Neighbourhoods	265 FTE	£4.7M
Core	148FTE	£5.3M
Total	c.830 FTE	c.£23.9M



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Feedback & Consultation

Sir Richard Leese, Leader Manchester City Council

Feedback

The Council is encouraging feedback on all the savings proposals.

The full Executive papers are available on our internet

Anyone with suggestions or recommendations should take part in the consultations at www.manchester.gov.uk/consultations

Some of the budget proposals will be subject to formal consultation, legal process and equality impacts.

Key timings

The draft proposals will be presented to Executive - 23 Jan

Budget and Statutory consultations commence in January

Firmed up budget proposals will be put to the Executive -13 Feb

Proposed extended deadline for VER/VS application -15 Feb

Budget proposals will go to Finance Scrutiny – 25 Feb

Final budget decided at the full Council meeting- 8 March



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Questions

Sir Richard Leese, Leader Manchester City Council
Cllr Jeff Smith – Finance and HR Executive Member