



Resources and Governance Scrutiny Committee

Date: Tuesday, 9 November 2021

Time: 2.00 pm

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published

Access to the Public Gallery

Access to the Public Gallery is on Level 3 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. **There is no public access from any other entrance.**

Filming and broadcast of the meeting

Meetings of the Resources and Governance Scrutiny Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Resources and Governance Scrutiny Committee

Councillors - Russell (Chair), Ahmed Ali, Andrews, Clay, Davies, Hacking, Hitchen, Kirkpatrick, Lanchbury, B Priest, Robinson, Rowles, Simcock, Wheeler and Wright

Supplementary Agenda

- 6. Update on the delivery of savings** 3 - 20
Report of the Deputy Chief Executive and City Treasurer attached
- This report provides an update on the delivery of savings that were identified for the 2021/22 Financial Year.
- 7. Housing Governance** 21 - 30
Report of the Strategic Director Neighbourhoods and Deputy Chief Executive and City Treasurer attached
- This report provides an update on the Housing Revenue Account (HRA) business plan following the bringing back in house of Northwards Housing the Arm's Length Management Organisation (ALMO) that used to manage the Council's housing stock. It also provides an update on transition progress including updated governance arrangements and workforce update

Further Information

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

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This supplementary agenda was issued on **Monday, 1 November 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street), Manchester M60 2LA

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 9 November 2021

Subject: An update on the delivery of savings approved in 2021/22

Report of: Deputy Chief Executive and City Treasurer

Purpose of Report

To provide an update on the delivery of savings that were identified for the 2021/22 Financial Year.

Recommendations

The Committee is asked to note the report

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The 2021/22 budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Whilst this has no direct implications for the Our Manchester Strategy outcomes a balanced budget is a pre-requisite to the provision of the council services that support the outcomes. Achievement of planned savings is a critical element to delivering a balanced budget in 2021/22.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	

A connected city: world class infrastructure and connectivity to drive growth	
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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 report highlights that £38.876m (95.5%) of the £40.717m 2021/22 savings are expected to be achieved as planned, with the remaining £1.841m (4.5%) being mitigated in year through one-off measures. This shortfall is reflected in the overall 2021/22 monitoring position and a balanced budget is expected this year. The Medium-term budget position is more challenging, as covered elsewhere on the agenda.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. Introduction

- 1.1 The 2021/22 budget approved by Council included approved savings of £40.717m in 2021/22 across 86 initiatives, increasing to £47.704m by 2024/25.
- 1.2 The details are included in the directorate budget reports considered by February 2021 scrutiny committees and listed in Appendix 1. The summary position by directorate is shown below.

Table 1: Savings Proposals

	Amount of savings proposals					Indicative FTE reduction
	2021/22	2022/23	2023/24	2024/25	Total	
	£000	£000	£000	£000	£000	
Adults Services	11,597	3,326	3,477	0	18,400	0.0
Children Services	12,359	(152)	(1,309)	100	10,998	14.0
Homelessness	2,335	0	0	0	2,335	7.0
Neighbourhoods (Incl. Highways)	6,683	493	100	100	7,376	2.0
Growth and Development	1,108	0	300	0	1,408	11.0
Corporate Core	6,635	1,153	304	(905)	7,187	127.0
Total Savings Options	40,717	4,820	2,872	(705)	47,704	161.0

2. Current position

- 2.1 The table below shows the achievability risk breakdown of the total savings of £40.717m. As at the end of September £1.841m (4.5%) is considered high risk, £4.365m (10.7%) medium risk and the remainder low risk or achieved.
- 2.2 Of the high-risk savings £1.580m is expected to be achieved as planned next year. The remaining £261k (car park income) is no longer considered achievable as planned and subject to further investigative work. These have been mitigated during 2021/22 through one-off measures. Directorates will replace any unachievable savings on a recurrent basis with alternative options to be considered as part of the 2022/23 budget setting process.

Table Two: Forecast 2020/21 Savings achievement at September 2021

	Savings Target 2021/22			
	Green	Amber	Red	Total
	£000	£000	£000	£000
Children's Services	10,779	0	1,580	12,359
Adults and Social Care	10,597	1,000	0	11,597
Neighbourhoods Directorate	4,241	2,181	261	6,683
Homelessness	2,335	0	0	2,335
Growth and Development	840	268	0	1,108
Corporate Core	5,719	916	0	6,635
Total Budget Savings	34,511	4,365	1,841	40,717
%	84.8%	10.7%	4.5%	100.0%

Table Three: Forecast impact in 2022/23

	2021/22 savings - Impact in 2022/23			
	Achieved as planned (Green & Amber)	Not achievable		Total
		New proposal identified (Red)	New proposal to be identified (Red)	
	£000	£000	£000	
Children's Services	10,779	1,580	0	12,359
Adults and Social Care	11,597	0	0	11,597
Neighbourhoods Directorate	6,422	0	261	6,683
Homelessness	2,335	0	0	2,335
Growth and Development	1,108	0	0	1,108
Corporate Core	6,635	0	0	6,635
Total Budget Savings	38,876	1,580	261	40,717
%	95.5%	3.9%	0.6%	100.0%

2.3 The position in each directorate is set out in the following paragraphs.

Children's services - Savings target of £12.359m

2.4 Of the £12.359m savings target, £10.779m (87.2%) has been or is forecast to be achieved. There is significant risk in realising savings of £1.580m (12.8%) which is being mitigated by underspends this year. The high risk savings are:

- Leaving care (£1.003m) due to a delay in registered provider's provision. This is expected to be achieved once provision is delivered which is scheduled for November 2021 onwards. This saving is partially achieved this year (£0.764m) and is expected to be achieved in full next year.
- Manchester City Council (MCC) and Manchester Health and Care

Commissioning (MHCC) have a joint and consistent decision-making process for allocating resources to meet the complex care needs of children and young people in a transparent, fair and equitable manner. The multi agency agreed placements saving of £1m has been partially achieved in 2021/22 (£423k) with £0.577m at high risk. All efforts will be made to achieve the £1m saving in full next year as the process for allocation of resources with partners is operational.

- 2.5 The shortfall in the savings is being mitigated from Looked After Placement underspends.

Adults and Social Care - Savings target of £11.597m

- 2.6 Adults Services and Social Care is delivered in partnership with the NHS through the Manchester Local Care Organisation (MLCO). Of the £11.597m initial target, £5.5m was achieved through system support via the application of the Adult Social Care grant funding, which will be mainstreamed through the spending review and local government funding settlement.
- 2.7 The balance of £6.097m was to be achieved through the Better Outcomes, Better Lives (BOBL) transformation programme. It is expected that £5.097m of this saving will be achieved across older peoples and physical disability services via the strengths-based assessment work and reduced client numbers overall.
- 2.8 The remaining £1m (8.6%) savings target is in relation to learning disability packages, where the service is facing challenges in recruiting suitably qualified staff to undertake the required strength based assessments. The savings are still expected to be delivered and will be achieved in 2022/23. The impact in 2021/22 has been mitigated by underspends across the Adult Social Care service, which is forecast to underspend, as a whole, by £3m this financial year.

Neighbourhoods - Savings target of £6.683m

- 2.9 £4.241m (63.5%) of savings will be achieved as planned by year end, and a further £2.181m (32.6%) of savings have been delayed because of COVID-19 impact.
- 2.10 The high-risk savings in Neighbourhoods total £261k (3.9%) and this relates to the off street car parking season ticket income which is not expected to be achieved going forward due to the likely increased number of people working from home for part of the week, and therefore not committing to an annual season ticket. Further details on all the amber and red savings are set out below.
- 2.11 As part of 2021/22 budget process savings of £450k was approved in respect of a proposed new advertising screen at Piccadilly Gardens, the savings were phased over 2021/22 and 2022/23 linked to work required to implement the new screen. £275k savings was set for 2021/22 and is considered at moderate

risk of being achieved this year. Discussions are ongoing with both the Events team and City Centre Regeneration around plans for the area and how a screen can potentially be integrated in the short term. Once agreed a planning application will be required, it is expected that this saving will be achieved in 2022/23.

- 2.12 The provision of off street car-parking reverted to the City Council with effect from 1 January 2021. The car parking income was forecast at £12m per year. This is used to fund the management and maintenance of the car parks and provide a net saving of £4.1m per annum.
- 2.13 The savings were predicated on car park usage returning to pre COVID levels, provision was made to allow for lower than forecast quarter 1 car park income, but budget forecasts did assume the usage would continue to increase through to September, by which time it was anticipated we would be back to normal usage. Whilst car park usage has seen a steady month on month increase in quarter 2, it has not yet returned to pre COVID levels and appears to have levelled off from September onwards. The lower usage is largely due to the continued reduction in commuter usage as commuters are not coming into the office 5 days per week.
- 2.14 Whilst the key challenge will be around increasing the numbers of annual season tickets that are purchased due to the likely ongoing changes in the working arrangements for individuals, it is anticipated that general day to day usage will increase from Spring next year as more commuters return to City Centre offices. The overall reduction is forecast to be c£2.167m and of this £261k relates to season tickets and is rated red because it is not expected to return, whilst c£1.906m is in relation to ongoing reduced usage and it is anticipated this will return in quarter 1 of 2022/23. To support this, work is ongoing to look at options around increasing users including increased marketing and looking at options that could lead to identification of alternative users such as tourists and hotel users.

Homelessness - Savings target of £2.335m

- 2.15 All Homelessness savings targets have been or are forecast to be achieved by year end.
- 2.16 £1.4m - Initial indications were that the annual cost of provision for providing accommodation for those previously sleeping rough in response to COVID-19 and 'Everyone In' is £7m. However, the Directorate are working with partners to confirm the expected provision beyond March 2021 which recognised the longer term needs of those who were sleeping rough and recognised their longer-term accommodation needs. Therefore, current provision has been maintained at £1.4m below the original estimate of £7m as rough sleepers were moved out of temporary hotel accommodation and into more permanent accommodation ensuring residents do not return to the streets.
- 2.17 £0.621m - Discussions with housing providers as part of the budget process centred around maintaining current service delivery as far as possible with

improved outcomes. £0.621m investment funding linked to the Rough Sleepers COVID-19 response was repurposed to support the Housing Related Support Complex Pathway provision as move on from hotel accommodation, retaining the services which deliver the greatest value for money for Homelessness. Funding via the investment avoids the need to close some schemes which would have impacted significantly on service delivery and therefore protects accommodation schemes, resettlement and other support services.

- 2.18 £66k - A review of the Homelessness Commissioned budgets identified £66k of budget reductions which were implemented without impacting on the number of bed spaces available and had minimal impact on service delivery.
- 2.19 £89k - As part of 2020/21 budget setting, funding was assigned for 3 FTE grade 10 posts to lead on the service redesign. These posts were removed as part of the 2021/22 budget setting process, as the posts were proposed as 18-month posts so reduction in posts would deliver £89k of savings in 2021/22.
- 2.20 £159k - As part of the service redesign 4 FTE posts were removed from the structure.

Growth and Development - Savings target of £1.108m

- 2.21 £0.840m (75.8%) of the approved savings will be achieved by year end, there a further £268k (24.2%) that will not be delivered in this financial year but have been mitigated in year by alternative savings.
- 2.22 The approved savings for Work and Skills (£150k), Housing and Residential Growth (£190k) and additional Investment Estate Income (£300k) are all on track to be achieved in line with the original savings proposals.
- 2.23 Staff savings of £393k were approved from within the Planning and Building service, it was recognised that there was a redesign being undertaken in order to provide a fit for the future structure with built in career paths and succession planning for the service. This is almost complete and although the savings have been mitigated this year through ongoing vacancies the long-term staff savings following the redesign are expected to be c£200k. This leaves unachieved savings of c£193k and officers are looking at alternative savings options to mitigate this in 2022/23 onwards, the options will be brought forward as part of the 2022/23 budget process.
- 2.24 As part of the investment estate proposals additional income of £75k was to be realised from increased fee income; due to COVID-19 the fees have not yet been increased and remain at the original levels, and the service is offsetting the forgone income by other cost reductions within the service. The service has now commenced a review of surveyor's fee levels and expect to implement the required changes by the end of January 2022 in order that the full saving can be achieved in 2022/23.

Corporate Core - Savings target of £6.635m

- 2.25 Of the £6.635m savings target £5.719m (86.2%) will be fully achieved in 2021/22. The majority of these were workforce savings with the deletion of 116 FTE posts. Savings of £0.916m (13.8%) have not been achieved as originally planned in the current year but mitigated through alternative savings, but work is ongoing to ensure they are achieved in 2022/23.
- 2.26 Net savings of £0.610m were approved in respect of reduced office costs as part of reviewing the estate requirements linked to the Town Hall redevelopment. Some of the savings were only temporary and the initial £0.610m saving for 2021/22 has not been achieved because the operation of a planned lease break was not actioned in 2021/22 and the building is still in use. This will be achieved when the city centre lease ends in October 2022. The initial £0.610m is expected to be achieved in 2022/23, and there is a further £0.5m additional savings for 2022/23. Whilst office closures are not expected to achieve the whole £1.1m in 2022/23 officers are looking at options for mitigating any unachieved savings in 2022/23 and this will be considered as part of the 2022/23 budget process.
- 2.27 £306k relates to staffing reductions in HR/OD. This has been mitigated in this financial year through ongoing vacancies. The service is continuing to work through their restructure to ensure the structure meets the service needs, and this is mindful of the need to deliver with a reduced overall number of posts. It is expected this saving will be achieved in 2022/23 once the new structure is implemented.

3. **Conclusion**

- 3.1 The in year savings target for 2021/22 was set at £40.717m. £34.511m (84.8%) of savings are expected to be achieved as planned.
- 3.2 £4.365m (10.7%) of savings are rated as at moderate risk of being achieved and £1.841m (4.5%) at high risk. All unachieved savings are being mitigated in year.
- 3.3 The shortfall is reflected in the overall 2021/22 monitoring position at the end of September and a balanced budget is expected this year. The longer term impacts is being picked up as part of the 2022/23 budget setting process, and revisions will be subject to reporting through scrutiny committees and Executive approval.

**Appendix 1 - Savings and Efficiency Proposals 2021/22 as approved by Council
March 2021**

Adults Services

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Adults Services	Better Outcomes Better Lives	6,097	7,003	5,300	0	18,400	0
Adults Services	Health and Social Care System Support	5,500	(5,500)	0	0	0	0
Adults Services	To be identified	0	1,823	(1,823)	0	0	0
Total		11,597	3,326	3,477	0	18,400	0.0

Children Services

Service Area	Description of Saving	20/21 £000	21/22 £000	23/24 £000	24/25 £000	Total	FTE's
Children's Services	Placement Stability	627	415	0	0	1,042	0
Children's Services	Re-commission – Lyndene	462	0	0	0	462	0
Children's Services	Multi-Agency Arrangements	1,000	0	0	0	1,000	0
Children's Services	Leaving Care	1,767	0	0	0	1,767	0
Children's Services	Market Development	400	376	0	0	776	0
Children's Services	Unaccompanied Asylum Seeking Children	515	0	0	0	515	0

Service Area	Description of Saving	20/21 £000	21/22 £000	23/24 £000	24/25 £000	Total	FTE's
Children's Services	Commissioning Review	300	0	0	0	300	0
Children's Services	Pace Beds	28	0	0	0	228	0
Children's Services	Improving Permanence	160	159	0	0	319	0
Children's Services	Stability Team and Wrap Around Support	300	0	0	0	300	0
Education	Premises	129	0	0	0	129	0
Education	Attendance	70	0	0	0	70	0
Core	Business Support	130	0	0	0	130	0
Children's Services	Adoption Services	357	0	0	0	357	0
Education	SLA Schools	30	0	0	0	30	0
Children's Services	Families First	445	0	0	0	445	0
Children's Services	Section 17	50	0	0	0	50	0
Children's Services	No Recourse to Public Funds	600	0	0	0	600	0
Children's Services	Workforce Development	140	0	0	0	140	0
Children's Services	Legal - Fees reduction	260	0	0	0	260	0
Education	Schools Quality Assurance	300	(150)	0	0	150	0
Education	Free Travel	400	0	0	0	400	0
Core	Strategic Business Support	80	0	0	0	80	1.5

Service Area	Description of Saving	20/21 £000	21/22 £000	23/24 £000	24/25 £000	Total	FTE's
Children's Services	CAMHS	148	0	0	0	148	0
Children's Services	Early Years – Core offer, Speech & Language	200	100	100	100	300	12.5
Children's Services	Managing Demand	1,000	0	0	0	1,000	0
Children's Services	Troubled Families	1,150	(1,150)	0	0	0	0
Education	DSG reserve	1,000	(1,000)	0	0	0	0
Children's Services	Children's Services Reserve	311	(311)	0	0	0	0
Children's Services	Children's Services Reserve	0	1,409	(1,409)	0	0	0
Total		12,359	(152)	(1,309)	100	10,998	14.0

Homelessness Services

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Singles Accommodation	New Provision Rough Sleepers, utilising established schemes and ensuring there is move on available through the system	1,400	0	0	0	1,400	0.0

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Homelessness Commissioning	Realign service provision to support move on from single rough sleeper provision funded via investment	621	0	0	0	621	0.0
Homelessness Commissioning	Budget reductions in Homelessness Commissioned services with minimal impact on service delivery	66	0	0	0	66	0.0
Homeless Management	As part of 2020/21 funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources	89	0	0	0	89	3.0
Homeless Management	Management reductions for G10 and above	108	0	0	0	108	2.0
Families Specialist Accommodation	Full service redesign linked to VS/VR offer	51	0	0	0	51	2.0
Total		2,335	0	0	0	2,335	7.0

Neighbourhoods

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Compliance	Outsource the Animal Welfare Service	64				64	2
Compliance	Increase income from fines & advice	80				80	0
Compliance	Use EU exit funding to fund 3 posts for 1 year	137	(137)			0	0
Compliance	Source volunteers to work a 4 day week	20				20	0
Parks, Leisure, Youth and Events	Prioritise £12m capital investment to generate income streams	127	100	100	100	427	0
Parks, Leisure, Youth and Events	Develop a strategy for Leisure collaborations		155			155	0
Operations and Commissioning	Bereavement Services above inflation increase in fees & charges	85				85	0
Operations and Commissioning	Renewal of small format advertising contract	1,300				1300	0
Operations and Commissioning	Piccadilly Gardens community scheme	225	225			450	0

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Operations and Commissioning	Dawson Street large format advertising screen	50				50	0
Highways	Off street parking	4,100				4,100	0
Highways	Reduction in claims for accidents & trips	100	150			250	0
Highways	Charge 50% of Development Specialist to capital	40				40	0
Highways	Bring in a new service to recover costs for damaged highway items	25				25	0
Highways	Increase charges for permits	25				25	0
Highways	Recharge developers for oversail of the highway	50				50	0
Highways	Additional winter gritting service to 3rd parties	25				25	0
Highways	Charge remaining 50% of Gully/Drainage staff to capital	66				66	0
Highways	Increase fees to cover costs on external schemes	164				164	0
Total		6,683	493	100	100	7,376	2.0

Growth and Development

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTEs
Investment Estate	Revise Surveyors Fee Scales	75	0	0	0	75	0.0
Investment Estate	Maximise income generation from assets	300	0	0	0	300	0.0
Investment Estate	Increased ground rent -long leasehold	0	0	300	0	300	0.0
Planning, Licensing & Building Control	Hold/delete 11 vacant posts	393	0	0	0	393	11.0
Housing & Residential Growth	Additional income from housing redevelopment	190	0	0	0	190	0.0
Work & Skills	Reduction in commissioning activity	150	0	0	0	150	0.0
Total		1,108	0	300	0	1,408	11.0

Corporate Core

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Legal Services	Staff Reduction	96	0	0	0	96	3.0
Legal Services	Increased income and other budget reductions	49	25	0	0	74	0.0
Coroners & Registrars	Staff Reduction	198	0	0	0	198	7.0
Executive	Travel/subsistence expenses reductions	15	0	0	0	15	0.0
Comms	Staff Reduction	137	0	0	0	137	4.0
Comms	Reduce printing costs, increase recharges and postage	163	0	0	0	163	0.0
Procurement, Commissioning and Commercial Governance	Staff Reduction	122	0	0	0	122	2.0
Procurement, Commissioning and Commercial Governance	Increase income and reduce supplies and services	36	0	0	0	36	0.0

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Revenues and Benefits	Staff Reduction	160	0	0	0	160	5.5
Revenues and Benefits	Reduce Discretionary Housing Payments	1,000	0	0	0	1,000	0.0
Financial Management	Staff Reduction	843	0	0	0	843	20.0
ICT	Staff Reduction	400	0	0	0	400	10.0
ICT	Savings on system running costs and telephony	300	300	0	0	600	0.0
HR/OD	Staff Reduction	306	237	0	0	543	13.0
Audit	Staff Reduction	118	0	0	0	118	3.0
Operational Property	Reduce office costs through reduced estate	610	591	304	(905)	600	0.0
Operational Property	Reduce staff resources – 1.4fte's (Vacant)	36	0	0	0	36	1.4
Facilities Management	Reduce staff resources – 10fte's (Vacant)	270	0	0	0	270	10.0
Shared Service Centre	Staff Reduction	252	0	0	0	252	8.8
Customer Services	Staff Reduction	614	0	0	0	614	19.3
City Policy	Staff Reduction and special projects budget	270	0	0	0	270	4.0

Service Area	Description of Saving	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
PRI	Staff Reduction	500	0	0	0	500	13.0
Reform & Innovation	Staff Reduction	140	0	0	0	140	3.0
Totals		6,635	1,153	304	(905)	7,187	127.0

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 9 November 2021

Subject: Housing Revenue Account Business Plan

Report of: Strategic Director Neighbourhoods and Deputy Chief Executive and City Treasurer

Summary

This report presents members with an update on the Housing Revenue Account (HRA) business plan following the bringing back in house of Northwards Housing the Arm's Length Management Organisation (ALMO) that used to manage the Council's housing stock. It also provides an update on transition progress including updated governance arrangements and workforce update.

Recommendations

The Committee is asked to note and comment on the report.

Wards Affected: Ancoats & Beswick, Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley, Moston, Ardwick, Clayton & Openshaw, Miles Platting & Newton Heath and Piccadilly

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The retrofitting of existing homes to meet zero carbon objectives is at the heart of the revision of the HRA.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	A healthy and fit for purpose affordable housing market will support a functioning local and sub regional economy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Access to appropriate affordable housing and services will support residents to achieve and contribute to the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The supply of affordable good quality homes will provide the opportunity for Manchester residents to raise their individual and collective aspirations.

A liveable and low carbon city: a destination of choice to live, visit, work	The right mix of affordable quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the City and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	Affordable social housing plays an important part in ensuring that there are neighbourhoods where people will choose to live, and their housing needs and aspirations are met.

Contact Officers:

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

Housing Revenue Account Budget 2021/22 to 2023/24 – Executive 17 February 2021

1.0 Introduction

- 1.1 The purpose of this report is to update members on the HRA business plan and highlight areas that will need to be considered as part of the budget process. It sets out the latest current years forecast position and includes an update on the savings that were forecast to be achieved following the insourcing of Northwards.
- 1.2 The report also sets out the progress on the transition of the ALMO into Manchester City Council (MCC), including an update on the TUPE process and the new governance arrangements with local members, residents, and council officers.
- 1.3 Following the insourcing of Northwards Housing and in the context of the government's social housing white paper, the emerging building safety regulations, and the drive to zero carbon, the council is actively reviewing its social housing strategy. This, in turn, will impact the longer term HRA business plan, as we consult more broadly with social housing residents over 2022/23.
- 1.4 The HRA budget focuses on three main areas of activity:
 - Repairing, maintaining and improving existing stock and progressing zero carbon /retrofit.
 - Providing services for council tenants and leaseholders; and
 - Continuation of provision of new affordable homes programme to maintain existing levels of stock.
- 1.5 In addition, it sets out the associated factors that need to be considered as part of the HRA business planning to effectively contribute towards achieving the housing strategy objectives.

2.0 Background

- 2.1 The use of the HRA is governed by statute. It is a ringfenced account used solely to record the income and expenditure incurred on managing and maintaining the councils own housing stock and closely related services or facilities, which are primarily for the benefit of the council's own tenants. The main features of the HRA are:
 - It is a landlord account, recording expenditure and income arising from providing housing accommodation by local housing authorities.
 - It is not a separate fund but a ringfenced account of certain defined transactions, relating to local authority housing.
 - The main items of expenditure included in the account are management and maintenance costs, capital investment funding, borrowing costs, Private Finance Initiative (PFI) charges and depreciation.
 - The main income sources are from tenants' rents, and PFI funding.

- 2.2 Until 2012 the HRA was managed on a national subsidy system whereby authorities that were deemed to have surplus HRA income paid into the system, and these resources were redistributed to authorities whose income was deemed not to be enough. The distribution was based on a formula and did not provide for any long-term planning by authorities and was unsustainable in the longer term.
- 2.3 The subsidy system was replaced by the Self-Financing regime in April 2012. The key changes were that the Council must manage its housing stock on a similar basis to Registered Providers, this included retaining all the tenants' rents, but having to fund all associated costs including both in year operating costs and longer-term investment needs. A condition of the changes was that authorities are required to develop a rolling 30-year business plan to demonstrate long term sustainability and reviewing the use of existing assets to ensure that benefits are maximised.
- 2.4 In developing the 30-year business plan it is essential that the Council considers all risks and ensures that any investment decisions are affordable both in the short and longer term. There is also a statutory requirement to ensure the HRA remains in balance over the 30-year period.
- 2.5 Prior to the implementation of Self Financing, the HRA was sustainable over the long term. Since 2012 there have been government-imposed policy changes that have affected the HRA budget, most notably the imposition of a 1% annual rent cut for four years from 1st April 2016. The annual 1% reduction for 4 years had a cumulative effect of a c£300m reduction in rental income over the life of the business plan compared with the initial business plan.
- 2.6 The self-financing regime also saw the removal of the borrowing cap in the HRA which in theory enabled significant further borrowing. In reality this is constrained by the affordability of servicing and repaying the debt within the business plan and provides limited additional capacity for new capital funding. Currently the servicing of the debts is covered within the business plan through rental income and the use of reserves. The use of all resources linked to the HRA, including the use of RTB receipts is being considered and a further paper on the capacity for further investment and recommendations on how this should be targeted will be prepared as part of the budget process.
- 2.7 The required four-year rent reductions has necessitated the need to identify further efficiencies. The 2021/22 business plan developed the efficiencies in operating costs to allow the continuation of investment in the stock and improve the quality of tenant's homes and ensure the long-term sustainability of the HRA. Officers have already started on this work and details of areas under review is set out below.
- 2.8 Members will recall that in 2019 there was an options review into the management of the Northwards HRA stock. As a result of this review, in January 2021, tenants voted to bring Northwards Housings back in house. The benefits of bringing Northwards back in-house included improvements to

services for tenants and providing financial efficiencies of c£77m over the 30-year business period.

- 2.9 As part of the in-sourcing programme a transitions budget of £2.7m approved to fund the change management, legal costs associated with TUPE and the closure of the company, staff and pension arrangements and other liabilities including the surrender of leases on operational buildings.
- 2.10 Efficiencies of £2.4m per annum were to be achieved through a combination of operational savings through changes to the ways of working and reduced duplication in senior management and accommodation costs. These measures will ensure a balanced budget for housing operations within the HRA and stop the previous reliance on reserves to support the revenue position each year. To assist with the implementation period, the forecast savings have not been assumed in the HRA budgets until 2022/23.
- 2.11 Progress to date has been positive and has already realised full year savings of £1.3m through a combination of reduced accommodation costs through the planned exit of Hexagon Tower in December 2021 and staff savings through integrating teams within the City Council and reducing senior management costs.
- 2.12 Work is underway to further integrate the professional disciplines and improve the planning and delivery of the capital programme within the City Council's capital programme team. This is expected to deliver the balance of the savings
- 2.13 This integration will deliver the longer-term capital programme through the simplification of the management arrangements and improving value for money through integration of the wider Council capital delivery and efficiencies in process, procurement, and design. The programme will continue with the strategic objectives of maintaining the Decent Homes standard, building and fire safety and achieving the zero-carbon target for the stock through retrofit to reduce carbon emissions and improve energy efficiency for tenants.
- 2.14 The existing capital programme includes capital investment in excess of £87m over the three years 2021/22 -2023/24 and beyond 2024/25 an annual investment budget of c£25m per annum uplifted by CPI has been assumed in the business plan. The capacity for investment is being relooked at as part of the business plan review. Whilst this does allow for some investment in schemes that support the carbon agenda it does not allow for any costs to fund carbon reduction retrofitting of stock to achieve zero carbon; initial estimates are that this will cost c£25k per property which is unaffordable within the business plan and will only be possible if significant external grant funding is made available. Some energy efficiency grant funding is available, but this is constrained because funding support is targeted at properties not yet at EPC C, and the majority of the HRA stock is already at that standard or below.
- 2.15 In addition to the ongoing investment in existing stock, officers are looking at options around increasing the volume of social housing within the city, this

includes looking at different delivery models and potential opportunities for funding new social housing. As well as helping to offset the loss of stock through the right to buy scheme it will help improve the overall condition of existing stock and help contribute towards the reduced carbon targets through new design and building techniques.

- 2.16 Despite all the ongoing work, the HRA business plan does remain under pressure and the 2022/23 budget will include an updated plan for future years. The HRA business plan is formulated on several assumptions that determine the forecast HRA income and expenditure, and some of the key assumptions that will need to be agreed include: -

- Annual rent increase formula CPI +1%.
- The level of bad debts – currently 1.5% 21/22 increasing by 0.5% to 2.5% in 23/24.
- Implications of inflation – currently linked to CPI.
- Right to buys forecast to be 1.25% of existing stock per annum.

Annual rents

- 2.17 The government guidance allows authorities to increase rents by a maximum of CPI plus 1% up until 2024/24, and beyond that the business plan currently assumes CPI at 2%. For the purposes of rent calculations CPI is based on September figures, and the Office for National Statistics September CPI figure was 3.1%. If the Government guidance is to be followed this will require an average annual rent increase of 4.1%, and the average weekly rent increase will be £3.16 (52 weeks).
- 2.18 Given the current economic climate, and other household pressures it is proposed that a further paper will be drafted for Member's consideration setting out options around rent increases for 2022/23, together with the implications on the HRA as part of those options. The final 2022/23 rent proposals will be considered as part of the 2022/23 budget setting process.
- 2.19 Good progress has been made on delivering the planned efficiencies through bringing Northwards back in house. The delays in the delivery of the capital programme over the past few financial years means that the HRA reserves are higher than usual. This provides for some limited capacity for investment, but there will still be significant pressures on the HRA, and it will not deliver all of the Council's ambitions in relation to maintaining, retrofitting and retaining the level of social housing stock without access to external funding.
- 2.20 It is worth noting that small changes in assumptions have a material impact on the overall business plan position, as demonstrated by the 4 years of rent reductions resulting in lost income of £300m over the 30 years of the business plan. Conversely, a 1% increase in CPI is worth c£29m increased rental income over the 30-year period and highlights the need to review and refresh the assumptions in the plan each year.

- 2.21 A more detailed paper will be developed as part of the budget process that updates on the interlinked areas of the capital programme priorities, capacity to invest, the 30-year business plan position and recommendations for the annual rent increase.

Northwards Transition Update

- 2.22 This section of the report focuses at a high level on the progress of the transition of Northwards into MCC, with a specific focus on governance and workforce.
- 2.23 The Executive agreed in January 2021, following a residents' test of opinion on the council's proposals, to bring back Northwards under council control. As highlighted in the report, the main aspects of the decision centred on
- The considerable change in the social housing regulatory landscape, post Grenfell and the financial impact of the four-year rent reduction cap on the shaping and delivery of services.
 - The profound impact of Covid-19 on public service delivery, which has led to a major rethink of how local services are and can be delivered.
 - Although Northwards, initially met its key priority in achieving the Decent Homes standard and funding, 15 years on from its creation Northwards' performance, operating costs and governance were not at expected levels.
 - The opportunity to improve services to residents through closer working with the council in local neighbourhoods, as well as on the Zero Carbon agenda.
- 2.24 Following the decision to bring Northwards in house, the Senior Management Team have overseen the transition from ALMO to MCC through the council's Future Shape programme, which focussed on multiple areas, however, the clear priority was to ensure that residents continued to receive a seamless housing service during the period of the transition and that, similarly, any disruption to staff was minimal, during this period of change.
- 2.25 Central to the smooth transition was a carefully managed project plan, overseen by the council's ALMO Project Board and the Northwards' Transition Board. The remit of these boards was to work collaboratively to oversee these deliverables, as well as the ICT (Information & Communication Technology) (Information & Communication Technology), Legal, HR, Property and Finance activity that underpinned the transition. The HR element, as requested by members, is set out in more detail in point 2.28, whilst the table below sets out the key activity of the transition plan.

HR & TUPE	See 2.28
Governance & Legal	<ul style="list-style-type: none"> Establishment of Northwards Shadow Board Filing Northwards Statutory 2020/21 Accounts Transfer of contracts from NW to MCC Award and early mobilisation of Equans contract which provides the repairs and maintenance service to Northwards' residents.
ICT	<ul style="list-style-type: none"> Successful transfer of Northwards to MCC which is ongoing but includes access to SAP (Finance and HR)
Services	<ul style="list-style-type: none"> Establishment of YES Manchester as an independent charity supporting North Manchester communities into work, developing personal and professional skills, as well as a money advice service.
Finance	<ul style="list-style-type: none"> Financial Management processes transferred from NW to MCC Suppliers transferred from NW to MCC
Communication	<ul style="list-style-type: none"> Extensive staff and resident communication and engagement pre and post transition
Accommodation	<ul style="list-style-type: none"> Agreement to exit Hexagon Tower in Sep 2021

- 2.26 From a service delivery perspective, the transition of the ALMO to MCC, which went live on 5th July 2021, went smoothly with continuity of all resident services across all areas of, what is now Northwards Housing Operations, maintained prior, during and post the transfer to the council.
- 2.27 Leading on from the transition plan, the council developed a 100-day plan which was specifically focussed on the first 100 days from 5th July 2021 to 13th October 2021 when Northwards re-joined the council and overseen by the Strategic Director of Neighbourhoods, supported by the Deputy Chief Executive & City Treasurer, Director of Human Resources & Organisation Development and Director of Inclusive Growth.

The 100-day plan focussed on four themes, which are set out in the table below but focus on the short-term activity post-transition as well as developing the longer-term strategic direction for the new Northwards Housing Operations service.

Commercial	<ul style="list-style-type: none"> HRA Business Plan Equans Mobilisation
Customers	<ul style="list-style-type: none"> Resident Charter & Engagement Social Housing White Paper Commitments
Colleagues	<ul style="list-style-type: none"> Leadership & Values Systems Integrations
Collaboration	<ul style="list-style-type: none"> Governance Partner and Stakeholder Working

Highlights of the 100-day plan include:

- The successful mobilisation of the Equans contract for repairs and maintenance of Northwards stock.
- The commencement of the resident engagement activity on the new resident charter.
- The recruitment to the new Northwards Housing Operations leadership team.
- The development of the new governance arrangements.

As requested by members, the governance aspect of the 100-day plan is set out in more detail in point 2.38.

Northwards-Housing Operations HR Update

- 2.28 In relation to the TUPE of Northwards ALMO staff to MCC, this took place successfully on 5th July 2021.
- 2.29 The transfer was governed by the Transfer of Undertakings, Protection of Employment (TUPE) Regulations 2006, which stipulate that all terms and conditions of employment (apart from existing pension rights) in force immediately prior to the transfer, are protected as is continuity of employment with Northwards Housing.
- 2.30 As part of the consultation that has taken place relating to the transfer, several 'measures' were set out that were effective from the date of transfer. Our main principle in determining these 'measures' was to maintain all contractual terms and conditions of service where possible unless there was an overriding reason this could not be accommodated for business and administrative purposes.
- 2.31 These 'measures' were around parking and travel, mobile phones, early finishing before Christmas and removing a birthday day of paid leave.
- 2.32 All staff received a service specific induction from their receiving managers, as well as a corporate induction after 5th July 2021. This includes a Listening in Action event and a session on the 'Our Manchester' experience.
- 2.33 All Senior Managers received an invitation to the City Council's Senior Leadership Group meetings.

Governance Update

- 2.34 Following the transition to MCC, new governance arrangements are being established with the Executive Member for Neighbourhoods, North Manchester Councillors, local residents and the leadership of Northwards Housing Operations.
- 2.35 The Board, chaired by the Executive Member of Neighbourhoods, will be responsible for overseeing the delivery of housing services to the Council's housing stock; primarily in, but not limited to, North Manchester. This includes

the monitoring of the performance of all housing functions and the engagement of residents in the effective delivery of services

- 2.36 The Board will be a committee under the Local Government Act 1972 and will be subject to the Council's Procedure Rules and the Access to Information Procedure Rules. The Board will be a standard (non-area) advisory committee and therefore subject to political balance rules.
- 2.37 As an advisory committee the Board has no decision-making powers of its own but may make recommendations to the Council or the Council's Executive on matters relating to the discharge of their housing functions, insofar as those functions relate to the Council's housing stock.
- 2.38 The Board will be composed of six elected councillors and five co-opted residents from the Council's housing stock. Residents will be appointed to the Board by the Council. Elections will be used to decide which nominees are put forward to the Council for consideration.
- 2.39 Although a non-decision-making board, an essential element of the new social housing white paper and Our Manchester values is the importance of working, collaboratively with local communities in shaping local services, which is at the heart of the new governance arrangements.
- 2.40 It is vital that the Council puts in place the appropriate arrangements to ensure that there is excellent governance in place, with an enhanced focus on performance, resident satisfaction, and local accountability.
- 2.41 Following the endorsement of the proposed governance by the Northwards Shadow Board, the council is in the process of recruiting to the new arrangements, with a focus on attracting a diverse range of candidates to reflect the broad make up of North Manchester communities. Once recruitment to the new arrangements is finalised a separate report will need to go to Council so the committee can be formally set up.