



Resources and Governance Scrutiny Committee

Date: Thursday, 6 December 2018

Time: 2.00 pm

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Revised Supplementary Agenda** containing further items of business (agenda items 5a, 5b, 5c, 5e and 5f) and an additional item of business (agenda item 5d) that are to be considered as part of agenda item 5 (Budget 2019/20 Refresh: Update for Scrutiny Committees) which were not available when the original agenda was published.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

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, Barrett, Clay, Davies, Lanchbury, Kilpatrick, R Moore, B Priest, Rowles, A Simcock, Watson and S Wheeler

Revised Supplementary Agenda

1. Urgent Business

To consider any items which the Chair has agreed to have submitted as urgent.

2. Appeals

To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.

3. Interests

To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.

4. Minutes

To approve as a correct record the minutes of the meeting held on 8 November 2018 **(Previously circulated)**

5. Budget 2019/20 Refresh Process: Update for Scrutiny Committees

The Committee will consider the reports detailed below as part of the 2019/20 budget refresh process

5a The Chancellor's Autumn Statement - implications for Manchester 7 - 18
Report of the City Treasurer

This report provides an overview of the key announcements within the Chancellor of the Exchequer's 2018 Autumn Budget outlining the Government's fiscal agenda, and the implications for Manchester.

5b Update on Revenue Financial Strategy and Business Plan Process 19 - 32
2019/20

Report of the Chief Executive and City Treasurer

This report provides an update on the Council's financial position and sets out the next steps in the budget process, including scrutiny of the draft Budget proposals and Directorate Business Plan reports by this Committee.

The report also summarises Officer proposals for how the Council could deliver a balanced budget for 2019/20.

- 5c Corporate Core Business Plan for 2019/20** 33 - 52
Report of the Deputy Chief Executive, City Treasurer and City Solicitor
- This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20.
- In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.
- Taken together, the directorate business plans show how the directorates will work together and with partners to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.
- 5d Strategic Development Business Planning: 2019/20** 53 - 70
Report of the Strategic Director (Development)
- This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20.
- In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of current resources, challenges and opportunities.
- Taken together, the directorate business plans show how the directorates will work together and with partners to deliver Our Plan and progress towards the vision set out in the Our Manchester Strategy.
- 5e Setting of the Council Tax base and Business Rates shares for budget setting purposes** 71 - 78
Report of the City Treasurer
- This report details the method of calculating the City Council's Council Tax base for tax setting purposes and Business Rates income for budget setting purposes for the 2019/20 financial year, together with the timing of related payments and the decision on pool membership.
- 5f Proposed changes to the Council Tax charges levied for tax on empty properties** 79 - 90
Report of the City Treasurer
- This report details proposed changes to the Council Tax charges for empty properties, following the introduction of powers for Councils to charge increased Council Tax Premiums for long term empty (LTE)

properties that have been unoccupied and unfurnished for over two years. The report also contains proposals to remove discounts to Council Tax for unoccupied and unfurnished properties and properties undergoing major works or structural alterations.

5g Process for Updating Capital Strategy (Incorporating P6 Position)

Report to follow

6. Update on Capital Projects over £10m

Report to follow

7. Overview Report

Report of the Governance and Scrutiny Support Unit. **(Previously circulated)**

8. Exclusion of Press and Public

The officers consider that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Committee is recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item.

9. Our Town Hall - Letting of the Management Contract

Report to follow

Information about the Committee

Scrutiny Committees represent the interests of local people about important issues that affect them. They look at how the decisions, policies and services of the Council and other key public agencies impact on the city and its residents. Scrutiny Committees do not take decisions but can make recommendations to decision-makers about how they are delivering the Manchester Strategy, an agreed vision for a better Manchester that is shared by public agencies across the city.

The Economy Scrutiny Committee has responsibility for looking at how the city's economy is growing and how Manchester people are benefiting from the growth.

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Smoking is not allowed in Council buildings.

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Further Information

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This revised supplementary agenda was issued on **Thursday, 29 November 2018** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Mount Street Elevation), Manchester M60 2LA

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**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee – 6 December 2018

Subject: Chancellor's Autumn Budget update – implications for Manchester

Report of: The City Treasurer

Summary

This report provides an overview of the key announcements within the Chancellor of the Exchequer's 2018 Autumn Budget outlining the Government's fiscal agenda, and the implications for Manchester.

Recommendations

Members are asked to note the report.

Wards Affected:

All wards

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Background documents (available for public inspection):

2018 Autumn Budget document is available on the Government's website
<https://www.gov.uk/government/publications/budget-2018-documents>

1 Introduction

- 1.1 On 29 October 2018 the Chancellor of the Exchequer, Philip Hammond, delivered his Budget statement which set out the next stages of the Government's long term economic plan. This is the last Autumn Budget before Brexit.
- 1.2 This is a briefing on the content of the Autumn Budget 2018 outlining the Government's fiscal agenda, and the implications for Manchester.

2 Overview

- 2.1 The Budget headline is that this is "the end to austerity". According to the Chancellor, economic forecasts are improving, the deficit is falling, and he expects to meet his fiscal targets. The Office for Budget Responsibility (OBR) has announced an upgrade in growth forecasts which have in turn resulted in improved forecast budget deficits. There is no clear definition of "austerity", a reasonable assumption is that public spending should stop falling in real terms and start to increase in line with growth in the economy.
- 2.2 Of most immediate interest to local authorities is the announcement of new or additional funding, for which further detail is awaited in a number of instances:
 - £650m additional grant funding for social care in 2019/20, £240m of which is the continuation of previous Adult Social Care funding in 2018/19, together with a further £410m which has been allocated for both adults and children's social care. For Manchester the indicative total grant is £7.2m.
 - £55m for Disabled Facilities Grant in 2018-19, of which the estimate is £0.814m for Manchester. This is generally a capital grant.
 - £84m for 5 years on the children's service programme in 20 areas from 2019/20.
 - £420m in 2018/19 for potholes that will be allocated directly to highways authorities and must be spent prior to 31 March 2019. The allocation for Manchester is £1.686m;
 - £675m Future High Streets Fund in 2019-20 to support local areas to improve access to high streets and town centres
 - £10m capacity funding made available to support housing deals with authorities in areas of high housing demand to deliver above their Local Housing Need.
- 2.3 Whilst welcome, the funding announcements are unlikely to have a fundamental impact on the Council's budget strategy for 2019/20. However, the additional Social Care funding could meet some of the pressures faced.

3 Brexit

- 3.1 The budget includes an additional £500m of support to government departments, preparing for exiting the EU, and this brings the government's investment in EU exit preparations to over £4bn since 2016.

- 3.2 The Chancellor said the Budget forecasts used were based on an "average-type free trade deal" being agreed between the two sides. Should the government be unable to reach a Brexit deal with the EU, there would need to be a "different response", with "fiscal buffers" being maintained to provide support for the economy.
- 3.3 The Chancellor will upgrade the **2019 Spring Statement** to a full fiscal event if required which could include further tax or borrowing measures.

4 The Wider Economy

- 4.1 It should be noted that the Office of Budgetary Responsibility (OBR) has not attempted to predict the precise outcome of negotiations with the EU. Instead, it has made broad assumptions, which have not changed since the Autumn Statement 2016.
- 4.2 The OBR said there had been a *“significant improvement in the underlying pace of deficit reduction”* and that the government had been on course to achieve a balanced budget by 2023-24. However, it added that this improvement had been offset by the extra spending promised for the NHS by the prime minister in June 2018. *“The Budget spends the fiscal windfall rather than saving it”*.
- 4.3 The **budget deficit** is forecast to continue falling, it is expected to be less than 1.4% next year and would fall to 0.9% by 2022-23. Net borrowing in 2018-19 is expected to be £11.6bn lower than forecast at the 2018 Spring Statement. Medium term forecasts now suggest that net borrowing will level-out at about £20bn in 2022-23 and 2023-24. This is an improvement on the forecasts in the last two fiscal announcements (Autumn Budget 2017 and Spring Statement 2018). Much of the improvement has been as the result of better-than-expected taxation receipts. It now seems that Government is content to operate with a small budget deficit and is not going to seek to balance the budget during the next spending review period.
- 4.4 **Debt as a percentage of GDP** remains high at about 80% of GDP and is forecast to stay near this level for the foreseeable future, which is considerably higher than the pre-recession level of 40% of GDP. It peaked at 85.2% in 2016-17 and is expected to be 83.7% in 2018-19 before falling to 82.8% in 2019-20, 79.7% in 2020-21, 75.7% in 2021-22, 75.0% in 2022-23, and 74.1% in 2023-24.
- 4.5 An increase in taxation receipts in 2018-19 and forecast increases to 2023-24 have enabled the Chancellor to fund increases in public spending without large increases in taxation. Such an increase in taxation receipts shows the difficulty in forecasting the performance of the economy and growth in GDP.
- 4.6 The **growth forecasts** continue to be moderate, with the OBR saying growth over the next few years will never go above 1.6% barely an increase from the

forecasts back in March - Forecast of 1.3% growth for 2018, then 1.6% in 2019, 1.4% in 2020, 1.4% in 2021, and 1.5% in 2022 and 1.6% in 2023.

- 4.7 **Inflation** - Consumer Price Index (CPI) forecasts are slightly higher now in the Autumn Budget than in previous fiscal statements (2.6% rather than 2.4%) but the medium-term forecast remains at about 2.0%. The OBR forecasts average earnings to grow by 2.6% in 2018 and 2.5% in 2019, before rising to 2.8% in 2020. Average earnings growth is then forecast to increase further to 3.2% in 2023.

5 Public Spending 2020/21 onwards

- 5.1 The growth in taxation receipts feeds-through into an increase in departmental expenditure limits (DELS) and annually-managed expenditure (e.g. benefits, pensions, debt). The Budget provides an indicative 5-year plan for public spending which shows expenditure is materially higher in 2019-20 and in every subsequent year compared to recent forecasts. The trajectory of growth is also greater. Expenditure is now expected to grow at 1.2% per year in real terms from 2019-20 onwards (contrasted to an average cut in real-term funding in the 2015 Spending Review of -1.3%).
- 5.2 The 2019 Spending Review will decide on the balance of funding between departments. Much of the increase will be allocated to the NHS as the budget confirmed the Prime Minister's announcement that by 2023-24 spending on the NHS will be £20.5bn higher in real terms per year. Paul Johnson (from the Institute of Fiscal Studies) said *"total day-to-day spending on public services is planned to rise by about 8% between now and 2023-24, but spending outside of protected areas is 'essentially flat'".* He stated that health spending will have risen from 23% of public service spending in 2000 to 29% in 2010, and is set to reach 38% by 2023-24.

6 Social Care Funding

- 6.1 In the short term, the Budget provides a further £240m in 2019/20 for adult social care, which equates to £2.667m each year for Manchester, this has been allocated in accordance with the Adult Social Care Relative Needs Formula (RNF).
- 6.2 The Budget also provides a further £410m in 2019/20 for adults and children's social care, described as follows *"Where necessary, local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children."* The Government has stated its intention is to allocate this sum in accordance with the Adult Social Care Relative Needs Formula, Manchester will receive £4.555m on this basis.
- 6.3 The £2.667m is a continuation in 2019/20 of £240m winter pressure funding provided in 2018/19 to ensure that adult social care pressures do not create additional demand on the NHS. It is required to be pooled and reported on as

part of the Better Care Fund. The proposals for the City Council funding have been endorsed by the MLCO and MHCC Executive Committees and will be presented for approval to the Council's Executive in December.

- 6.4 The £4.555m is for Manchester to improve the social care offer for adults and children's social care in 2019/20. There is a need to determine how we make the most effective use of this to support the budget.
- 6.5 This additional funding is ahead of reviewing spend requirements in next year's spending review and there is no information on what will happen to these grants. There was an acknowledgement that the long awaited social care Green Paper will contain some difficult choices. The Green Paper is now expected before the end of this calendar year.
- 6.6 There is also an additional £55m of capital funding in 2018/19 for the Disabled Facilities Grant (DFG), a fairly significant increase of 11.7% on the current £468m grant. At present the Council receives £6.9m of DFG, and if the additional funds are allocated on the same basis a further £814k would be expected.
- 6.7 Children's services were allocated £84m over five years for up to 20 local authorities to help more children to stay at home safely with their families. This investment builds on the lessons learned from successful innovation programmes in Hertfordshire, Leeds and North Yorkshire. There are no details on how the 20 authorities will be chosen.

7 Transport and Highways

- 7.1 Local authorities will receive £420m to fix potholes on roads and renew bridges and tunnels for local highways maintenance. This additional resource is being allocated using the highways maintenance funding formula and is for the repair of roads (including potholes), bridges and local highways infrastructure generally. The conditions are awaited from DfT; but this funding must be spent by the end of March 2019. The Council is expected to receive £1.69m. There will be an additional £150m to improve local traffic hotspots such as roundabouts.
- 7.2 The Chancellor also announced funding of £37m towards supporting the development of Northern Powerhouse Rail. The £37m of development funding is the only major rail announcement for the North of England in the Budget.
- 7.3 This project is of key importance to the City and officers continue to work closely with DfT, Transport for the North (TfN) and TfGM to ensure the optimum solution is delivered.
- 7.4 There is also a £28.8 billion National Roads Fund, paid for by road tax to provide long-term certainty for roads investment, including the new major roads network and large local major roads schemes.

- 7.5 Announcements relating to transport in Combined Authority areas are discussed below at paragraph 13.2.

8 Business Rates and the high street

- 8.1 Business rate will be reduced for small businesses, bills will be reduced by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits. The £1,500 local newspaper discount will be extended for another year. The losses in income will be refunded through Section 31 grant payments to local authorities.
- 8.2 In terms of the impact on Manchester based on the retail relief scheme in 2014-15 and 2015-16 it is expected around 1,700 properties will receive the Retail Relief. Manchester does not have any newspaper producing properties.
- 8.3 Local authorities will be able to award mandatory business rate relief to public lavatories, whether publicly or privately owned. There are 10 buildings described as public conveniences in the city.
- 8.4 In the longer term, to support a sustainable transformation of high streets, the plan includes a £675m Future High Streets Fund, planning reform, a High Streets Task Force to support local leadership, and funding to strengthen community assets, including the restoration of historic buildings on high streets. The £657m funding is to help local authorities manage the changing pressures on the local high street. Local authorities will be asked to draw-up plans to change under-used retail areas to residential use, and these will be accompanied by changes in the rules of compulsory purchase orders and planning regulations governing changes of use.
- 8.5 The government expects to ask local areas to provide proposals setting out the overall vision that they wish to achieve for their high street and town or city centre and specific improvements that would contribute to that overall vision. There will be a competition for funding. There is also an expectation that places will partner with the private sector in developing their proposals.

9 Welfare Reform

- 9.1 Ahead of the further expansion of Universal Credit, the Budget announced £1bn of funding for an additional package of measures to aid the transition over five years. Specific announcements include:
- Extension of transition support to cover the income-related elements of Jobseeker's Allowance and Employment and Support Allowance, and Income Support, effective from July 2020.
 - Funding for the announcements made in April and June 2018 which provided additional protections for welfare claimants, including: enhancements to transitional protection for people moving onto Universal Credit; extending existing support for non-parental carers and adopters in tax credits and Universal Credit; and enhanced protections for those

currently receiving the Severe Disability Premium.

- Extension of the 12-month grace period (the period before the Minimum Income Floor applies) to all gainfully self-employed people; giving claimants time to grow their businesses to a sustainable level. This will be introduced from July 2019 and implemented fully from September 2020.
- A reduction in the maximum rate at which deductions can be made from a Universal Credit award from 40% to 30% of the standard allowance, from October 2019.
- The scope of the surplus earnings policy in Universal Credit will also be temporarily reduced: it will continue to affect large earnings spikes (above £2,500) until April 2020, when it will revert to affecting earnings spikes of £300.

9.2 The implementation schedule has been updated, it will begin in July 2019 as planned but will now end in December 2023 which adds 12 months to the last published planned completion date and is the eight reset since 2013.

9.3 The amount that households with children, and people with disabilities can earn before their Universal Credit award begins to be withdrawn (the Work Allowance) will be increased by £1,000 from April 2019. The government estimates this will result in 2.4 million households keeping an extra £630 of income each year.

9.4 Once the detail behind these announcements is available the impact on both residents and council services will be assessed and monitored.

10 Housing Revenue Account (HRA) Borrowing cap

10.1 The HRA cap that controls local authority borrowing for house building was abolished in England from 29 October 2018. The Council had recently submitted a bid for an £15m increase in its HRA debt cap, which has been superseded by this announcement. In light of this the government will be requested to increase the Council's debt ceiling in line with any borrowing above the HRA debt cap.

10.2 The ability to borrow is still constrained as the additional borrowing costs have to be met from within the HRA, which can not run a sustained deficit.

11 Housing

11.1 **Help to Buy (HtB):** When the current HtB scheme ends in March 2021 a new scheme will run for two years before closing in March 2023. The new scheme will only be available to first-time buyers and will have regional price caps (based on 1.5 times the current forecast average first-time buyer price in each region) - this is £224,400 for the North West. As 85.5% of HtB sales in the city were below the cap in 2017-18, it is not expected that the regional cap will have a significant impact. A more pressing concern with the current HtB scheme in Manchester is its failure to operate in the apartment market, with only £186,000 of HtB funding used to facilitate apartment sales in 2017-18

(with the remaining £8m of the £8.16m total HtB funding awarded in the city used on lower density developments outside the city centre).

- 11.2 **Shared ownership stamp duty land tax (SDLT) relief:** Will be extended to first-time buyers purchasing shared ownership homes priced up to £500,000 – backdated to include those who have bought since 22 November 2017. This is not expected to have a significant impact in Manchester (or indeed nationally with the cost expected to be only £5m) but brings shared ownership in line with SDLT relief available to first time buyers on mainstream sales.
- 11.3 **SDLT foreign buyers:** Government will consult in January 2019 on the introduction of a 1% SDLT surcharge for foreign buyers which it plans to spend on tackling homelessness. This would be on top of the existing 3% SDLT surcharge on second homes purchases introduced in April 2016. The initial 3% surcharge did not have the same level of impact on sales in Manchester as it did in Central London, due in part to lower prices, attractive rental yields and devaluation of sterling following the EU referendum. It is not yet clear whether liability for the additional 1% charge would be based on the buyer's residence status or the implications if the purchaser is a company - either UK tax paying or not. SDLT receipts from residential property sales in Manchester grew from £14m in 2015/16 to £33m in 2017/18.
- 11.4 **The Housing Infrastructure Fund**, funded by the National Productivity Investment Fund (NPIF), will increase by £500m to a total £5.5bn. There will be a consultation on new permitted development rights to allow upwards extensions above commercial premises and residential properties, including blocks of flats, and to allow commercial buildings to be demolished and replaced with homes
- 11.5 The government will also make £10m capacity funding available to support housing deals with authorities in areas of high housing demand to deliver above their Local Housing Need.
- 11.6 These recent announcements make it harder for Northern authorities to access affordability funding which is increasingly focussed on London / Southern counties.

12 Health

- 12.1 The £20.5bn increase in spending on the National Health Service over the next five years had already been announced by the Prime Minister. A 10-year improvement plan will be announced later this year. The Chancellor revealed that one of the major priorities in that plan will be increased investment in a new mental health crisis service, with a minimum spend of £2bn a year.
- 12.2 On 22 November the Prime minister pledged £3.5bn a year for primary and community healthcare by 2023/24 as part of the NHS long term plan and committed to a “growing share of spending” for out-of-hospital care as part of the NHS long-term plan. This investment forms part of the NHS's £20.5bn funding over the next five years, and is intended to improve the capacity to

care for patients at home and in their community and thereby reduce hospital admissions.

- 12.3 There was an additional £10m of capital funding for the air ambulance service and £10m to support mentally ill veterans announced.

13 Combined Authorities

- 13.1 **Skills pilots** – The government will fund £20m of skills pilots. This will include:

- a new £3m pilot to help employers in Greater Manchester and surrounding areas to address local digital skills gaps through short training courses
- a £10m pilot in Greater Manchester, working with the Federation of Small Businesses, to test what forms of government support are most effective in increasing training levels for the self-employed
- £7m match funding alongside employers to provide on-the-job training to young people not currently in employment, education or training in Greater Manchester, and to move them into sustainable career paths with employers

13.2 Transforming Cities funding:

- This will be extended a further year (2022-23) for the 6 metro mayors. This is worth an additional £240m in 2022-23 (£69.5m for Greater Manchester).
- There will be a further £440m made available for the 10 eligible city regions on a competitive funding basis and the Government will shortly be announcing a further two.
- To support the Industrial Strategy Future of Mobility Grand Challenge, £90m from the National Productivity Investment Fund (NPIF) will be allocated to the Transforming Cities Fund to create Future Mobility Zones. This will trial new transport modes, services, and digital payments and ticketing.
- A further £150m will be distributed to local authorities from the National Productivity Investment Fund (NPIF) to “support projects across England that ease congestion on local routes”. It is not yet known how these funds will be distributed.

14 Other funding announcements

- 14.1 There were other important funding announcements in the Budget as follows

- Defence: £1bn extra for the Ministry of Defence in 2019/20 and 2020/21 (£200m and £800m respectively);
- Police: the Home Secretary will review police spending power and options, which will be reported in the local government finance settlement in December.
- Schools: £475m in-year increase in capital funding for each school to spend on their equipment and facilities, averaging £10,000 for a primary school and £50,000 for a secondary school.
- Justice: £60m to prisons, courts and justice system.

- To support the Clean Growth Strategy, the Government has allocated: £13m to reduce risks from floods and climate change; £20m to support local authorities in meeting their air quality obligations; and £60m to fund the planting of new trees. The distribution of these funds is not yet known.
- £20m to support measures to tackle plastics and boost recycling – £10m more for plastics research and development and £10m to pioneer innovative approaches to boosting recycling and reducing litter, such as smart bins.
- £15m to charities and others to distribute surplus food.

15 Other wider announcements

15.1 Other budget announcements include:

- The government confirms that it will introduce a simpler system of developer contributions including simplifying the process for setting a higher zonal Community Infrastructure Levy in areas of high land value uplift, and removing all restrictions on Section 106 pooling towards a single piece of infrastructure
- There will be a Strategic Infrastructure Tariff for Combined Authorities and joint planning committees with strategic planning powers.
- There will be a review into relaxing town planning rules, to ease the conversion of under-used retail units and make it easier to establish new mixed-use business models on the high street.
- Introduction of a tax on the production and import of plastic packaging from April 2022.
- Further changes to the apprenticeship levy to support employers - large businesses will be able to invest up to 25% of their apprenticeship levy to support apprentices in their supply chain
- From April 2020, large social media platforms, search engines and online marketplaces will pay a 2% tax on the revenues they earn which are linked to UK users.
- Living wage increased by 4.9% from £7.83 to £8.21 per hour.
- No tax increases on income tax, raising personal allowance thresholds to £12,500 and the higher rate taxpayers' threshold to £50,000 one year earlier than planned: April 2019.
- Fuel duty to be frozen for the ninth year in a row
- Private Finance Initiatives are abolished for future projects, the government will honour existing contracts.
- Consideration to be given to a tax on the incineration of waste, in conjunction with landfill tax, should wider policies not deliver the governments waste ambitions around maximising the amount of waste recycled.

16 Conclusions

- 16.1 The 2018 Autumn Budget set out an improved economic forecast and indicative increased public sector spending over the next five years. Expenditure is now expected to grow at 1.2% per year in real terms from 2019-

20 onwards (contrasted to an average cut in real-term funding in the 2015 Spending Review of -1.3%).

- 16.2 The 2019 Spending Review will decide on the balance of funding between departments however it is already clear that much of the additional spend will be directed to the NHS, with spending in other departments likely to remain flat.
- 16.3 Should the government be unable to reach a Brexit deal with the EU, there could be an upgrade the 2019 Spring Statement to a full fiscal event, which could include further tax or borrowing measures.
- 16.4 There were announcements for additional Local Government funding this financial year and next. Whilst welcome, they are unlikely to have a fundamental impact on the Council's budget strategy for 2019/20. However, the additional Social Care funding could meet some of the pressures faced.

17 Recommendations

- 17.1 The recommendations appear at the front of this report.

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Manchester City Council Report for Information

Report to: Health Scrutiny Committee – 4 December 2018
 Children and Young People Scrutiny Committee – 4 December 2018
 Neighbourhoods and Environment Scrutiny Committee – 5 December 2018
 Economy Scrutiny Committee - 5 December 2018
 Communities and Equalities Scrutiny Committee – 6 December 2018
 Resources and Governance Scrutiny Committee – 6 December 2018

Subject: Updated Financial Strategy and Directorate Business Plans 2019/20

Report of: The Chief Executive and City Treasurer

Summary

This report provides an update on the Council's financial position and sets out the next steps in the budget process, including scrutiny of the draft Budget proposals and Directorate Business Plan reports by this Committee. The report also summarises the officer proposals for how the Council could deliver a balanced budget for 2019/20, the detail of which will be discussed at the relevant scrutiny committees.

Recommendations

The Committee is asked to consider and make recommendations to the Executive on the budget proposals which are within the remit of this Committee and to comment on initial Directorate Business Plans which have been designed to ensure the Council invests in the services that are valued by its residents achieving both high quality services and outcomes for residents, as well as a balanced budget.

Committee are asked to note that the joint funding for commissioning as part of the pooled budget for Health and Social Care will also need to be formally agreed at MHCC Board as part of finalising the budget.

Wards Affected: All

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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.

Suite of budget reports to Executive, 7 February 2018-
<https://secure.manchester.gov.uk/meetings/meeting/2997/executive>

Autumn Budget 2017, 29 October 2018 –
2018 Autumn Budget document is available on the Government's website
<https://www.gov.uk/government/publications/budget-2018-documents>

1 Overview

- 1.1 At its meeting on 8 February 2017, Executive agreed a three-year budget strategy for 2017-20. The financial position for years two and three of the strategy, 2018/19 and 2019/20 respectively, was adjusted to reflect changes arising from 2017/18. This included the financial benefits from the city's economic, population and housing growth. However, it also included the impact of austerity and a longer-living population, many with health problems and needing social care. The 2018/19 proposals therefore took into account the increase in demand for some services – adults and children's social care, support for homelessness and the need to reduce the impact of the reduction in government funding in some areas.
- 1.2 At its meeting on 7 February 2018, Executive agreed the final budget recommendations for 2018/19 to 2019/20 of three-year budget strategy for 2017-20. The budget was subsequently presented to Resources and Governance Scrutiny Committee on 20 February and approved by Council on 2 March 2018.
- 1.3 The three-year budget strategy followed consultation with Manchester people on what services matter most to them. The budget set reflected what Manchester people valued most, which was:
 - care and support for vulnerable people including older people and those with learning disabilities and mental health needs;
 - taking action on family poverty and giving young people the best start in life;
 - tackling homelessness;
 - supporting people into jobs and training;
 - keeping roads and neighbourhoods in good shape; and
 - parks and leisure to keep people active and happy.
- 1.4 The 2017-20 budget also set out the changes required to make the savings and deliver what was agreed by:
 - bringing health and social care services together,
 - supporting people earlier and more thoroughly so they will avoid more costly help later,
 - safely reducing the cost of children in care by finding more foster carers, and
 - changing the waste disposal arrangements to reduce costs.
- 1.5 The original revenue budget for 2018/19 totalled £576m. Of this, around 55% was invested in caring for our vulnerable adults and children; 10% for waste management including recycling, as well as looking after neighbourhoods including tackling fly-tipping, maintaining grounds and trees, trading standards and licensing; 11% to support the costs of investment in major projects; 9% on transport, roads and street lighting; 2% for supporting people in to work and training; 3% for libraries, culture, leisure, parks and open spaces. The remaining 10% is invested in supporting services that keep the City running

such as customer services, elections and IT and making sure that benefits and other payments are handled properly.

- 1.6 The Council also delivers major projects through a separate longer term capital strategy which is refreshed each year. The investment priorities are aligned to Our Manchester and also recognise the priorities that residents have identified; making Manchester an attractive place to live and further improving the quality of life for its residents - increasing their overall social and economic prospects and enabling them to fully participate in the life of the City.
- 1.7 The priority areas of investment agreed for 2017-20 included improving housing with care for older people, supported housing for adults with learning disabilities, building and refurbishing leisure centres, and improving the City's roads.
- 1.8 Building on the above, the Council's Executive has recently agreed a set of priorities which are also reflected in the Council's new Corporate Plan. These provide the framework for the refreshed business plans on the agenda for each Scrutiny Committee. The Corporate Plan has 15 key priorities (see also Appendix 1) which are based around the seven main themes of:
 - **Young people** - *From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better.*
 - **Healthy, cared-for people** - *Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives.*
 - **Housing** - *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*
 - **Neighbourhoods** - *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of.*
 - **Connections** - *Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks.*
 - **Growth that benefits everyone** - *To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone.*
 - **Well-managed council** - *Support our people to be the best and make the most of our resources.*
- 1.9 The Chancellor's Autumn Statement has also been published and there is a separate paper on the agenda for the Resources and Governance Scrutiny Committee which covers the main details. Whilst the specific details of the overall funding for individual local authorities will not be known until the Local Government Finance Settlement which is due on 6 December, there are some funding announcements which have already been made. These have not yet been built into the budget for 2019/20 and include:

- a further £240m in 2019/20 for adult social care which equates to £2.667m for each year for Manchester - this follows the allocation of a similar amount in 2018/19,
- £410m Social Care grant in 2019/20 for adults and children's social care, Manchester's indicative amount is £4.555m,
- £420m in 2018/19 for potholes that will be allocated directly to highways authorities and must be spent prior to 31 March 2019. The allocation for Manchester is £1.686m.

2 The Original Revenue Budget Position 2019/20

- 2.1 2019/20 represents the third and final year of the Council's current three-year strategy. Last year the 2018-20 budget was refreshed to protect the City's most vulnerable but remained focused on delivering the overarching strategy.
- 2.2 The original budget for 2018/19 and 2019/20 as reported to Council in March 2018 has been restated for the implications of changes within 2018/19 including those listed below and these may also lead to some changes in 2019/20:
- the allocation of budgets originally held centrally for inflation (non-pay and pay, including meeting the minimum wage requirements), growth items and funding set aside for high risk areas to Directorate budgets;
 - budget transfers between directorates
- 2.3 The updated position is as follows:

Table One: Updated Original Revenue Budget Position 2019/20

	Original 2018/19 £,000	Rebased 2018/19 £,000	Original 2019/20 £,000	Rebased 2019/20 £,000
Resources Available				
Business Rates Baseline	314,212	316,597	241,901	241,901
Business Rates Top Up	(16,630)	(19,015)	41,536	41,536
<i>Baseline Funding Level</i>	<i>297,582</i>	<i>297,582</i>	<i>283,437</i>	<i>283,437</i>
(Reduced) / Additional Business Rates Income	7,393	7,393	21,223	21,223
Business Rates Grants	19,778	19,778	15,535	15,535
Council Tax	154,070	154,070	161,723	161,723
Other non-ringfenced Grants	35,809	35,809	39,662	39,662
Dividends and Use of Reserves	53,342	53,342	53,342	53,342
Use of other Reserves	8,188	8,188	4,490	4,490
Resources to be identified	0	0	8,967	8,967
Total Resources Available	576,162	576,162	588,379	588,379
Resources Required				
<i>Corporate Costs:</i>				
Levies/Charges	68,045	67,945	68,862	68,762
Contingency	3,103	3,103	2,100	2,100
Capital Financing	44,582	44,507	44,582	44,507

	Original 2018/19 £,000	Rebased 2018/19 £,000	Original 2019/20 £,000	Rebased 2019/20 £,000
Transfer to Reserves	7,181	7,181	3,409	3,409
<i>Sub Total Corporate Costs</i>	<i>122,911</i>	<i>122,736</i>	<i>118,953</i>	<i>118,778</i>
<i>Directorate Costs:</i>				
Additional Allowances and other pension costs	10,183	10,030	10,183	10,030
Insurance Costs	2,004	2,004	2,004	2,004
Directorate Budgets	422,086	437,003	423,111	438,028
Inflationary Pressures and budgets to be allocated	18,978	4,389	34,128	19,539
<i>Total Directorate Costs</i>	<i>453,251</i>	<i>453,426</i>	<i>469,426</i>	<i>469,601</i>
Total Resources Required	576,162	576,162	588,379	588,379
Balance	0	0	0	0

- 2.4 The budget for 2019/20 identified a funding gap of £8.967m in 2019/20. The February 2018 report to Executive noted that this would need to be met from a combination of changes to business rates and commercial income, commissioning decisions, efficiencies and a further review of budget requirements.

3 The Revised Revenue Budget Position 2019/20

- 3.1 In July 2018, the Council reported an in-year overspend of £13.7m, this was reduced to £6.1m as reported to Executive in October through the recovery plans that were being implemented.
- 3.2 It is expected that the in-year position for 2018/19 will further improve through:
- continuing implementation of the recovery plans;
 - effective use of any one-off resources
 - further progress on the delivery of social care savings, recognising the ambitious targets in Social Care
 - controls on spend
- 3.3 It is important that the Council works to set a sustainable budget position going forward in to 2019/20. The most significant risk to the budget position is the additional need arising from services such as Social Care and Homelessness, together with the non-achievement of planned savings, accepting that some savings may be delayed into future years. At present the full year effect of these budget pressures for 2019/20 is estimated at £12.686m which will further increase the original budget gap of £8.967m to £21.653m
- 3.4 To support the budget position and meet the identified pressures, there has been a full review of resources available, which has identified an additional

£4.930m, and further officer recovery proposals of £15.508m. These are set out later in the report.

- 3.5 Taken together this leaves a gap of £1.215m in 2019/20 as summarised in the table below.

Table Two: Revised Shortfall 2019/20

	2019/20 £m
Original 2019/20 Budget Gap	8.967
Additional Pressures	12.686
Initial Shortfall	21.653
Resource Review	(4.930)
Officer Recovery Proposals	(15.508)
Revised Shortfall	1.215

- 3.6 The options for closing this gap will include the application of the one-off grant for Adult and Children's Social Care announced for 2019/20 as part of the Chancellor's Autumn Budget 2018, taken together with any changes arising from the Local Government Finance Settlement and potential further changes to the resource position arising from Council Tax and Business Rates when the figures are finalised in January 2019.
- 3.7 The additional pressures and proposed recovery actions are set out in full in the Directorate Business Plan reports for consideration by the relevant Scrutiny Committee. The main areas are highlighted in the paragraphs below.

Additional Pressures (£12.686m)

- 3.8 **Children's Services (£6.039m).** This includes the planned use of £1m of inflation provision.
- 3.9 The 2017-20 budget strategy provided for an investment approach for Children's Services which was to be sustained from the savings delivered. This meant that as the non-recurrent resources reduced, the placement budgets for 2018/19 and 2019/20 would need to make savings in order to sustain the current spend on social work and Early Help.
- 3.10 Whilst the Investment Strategy has made considerable progress in reducing expensive placements, this has not been at the pace budgeted for and, in line with the national position, the service is experiencing continued need.
- 3.11 **Health and Social Care (£2.807m)** The financial plan has been updated to reflect revised timelines to deliver savings, mainly relating to New Care Models. The underlying assumptions are broadly in line with the approved business cases, but the phasing of the delivery of benefits has changed to reflect differences in mobilisation and implementation. This has led to a

pressure of £2.807m which will be mitigated within the directorate as set out in the Health and Social Care budget report.

3.12 Homelessness (£3.840m) The pressure is made up of:

- The demand for dispersed accommodation is continuing to rise at the current rate to 1,500 properties during 2019/20 - £1.3m.
- Bed and breakfast numbers being stabilised at existing levels from work ongoing to meet the need differently. The full year impact of current numbers would be an additional budget requirement of £1.740m.
- Additional capacity for Homelessness support to reduce caseloads - £0.8m.

Resources Review (£4.930m)

3.13 There has been a review of resources including an update to resources following the final Council Tax and Business Rates surpluses for 2017/18 and 2018/19 estimates; the announcement that Greater Manchester are to retain the 100% Business Rates pilot for 2019/20; completion of the latest Council Tax Base return and announcements on New Homes Bonus funding. These have a net impact of improving the position by £4.930m as follows:

- Council tax (£3.146m) Increased prior year surplus partly offset by slightly lower than forecast growth in Council Tax base.
- New Homes Bonus (£0.865m) - The estimate is based on the number of new properties as at October 2018. This assumes the government's growth threshold is increased to 0.8%, however, if it is retained at the current 0.4% a further £1m could be received. Confirmation is expected in early December.
- Business Rates (£0.919m) resulting from an increase in the prior year surplus and updated forecast income.

3.14 It is proposed that these additional resources are utilised to support the priority areas agreed with residents. However, further funding is required to deliver a balanced budget and Strategic Directors have put forward a number of recovery proposals to meet the budget requirement.

3.15 It should be noted that resources may change further following the Local Government Finance Settlement which is expected 6 December and confirmation of the forecast Council Tax and Business Rates positions in January 2019.

Officer recovery proposals (£15.508m)

3.16 One of the biggest risks to the delivery of any balanced budget is optimism bias in the level of savings achievable, any plan needs to be supported by evidence and be realistic. The proposals put forward are detailed in the individual Directorate Business Plans and involve:

- The requirement to identify some further savings/recovery proposals

- Allocation of any remaining unallocated and ongoing corporate budgets such as inflation to the best effect to address budget pressures
- Increasing the Looked After Children's (LAC) reserve from one-off income in order to support delivery of a revised strategy for Children's Services and address need. The detailed proposals will be presented to the Children and Young People Scrutiny Committee.

3.17 Officer proposals have been developed for detailed discussion at the relevant scrutiny committee, the table below summarises these by directorate. The recovery is being managed by careful application of the council's resources (£6.1m), risk share contribution from the pooled budget (£4m) and revised savings proposals (£5.4m). It is important to note that joint funding for commissioning as part of the pooled budget for Health and Social Care will need to be formally agreed at MHCC Board as part of finalising the budget.

Table Three: Officer Proposals by Directorate

Directorate	Proposed Savings £'000	Grant income and other resources £'000	Total 2019/20 Recovery £'000
Children's Services	776	3,000	3,776
Adult Social Care	1,625	5,382	7,007
Homelessness	440	1,400	1,840
Corporate Core	1,189	0	1,189
Neighbourhoods Directorate	376	300	676
Strategic Development	1,020	0	1,020
Total Directorate Budgets	5,426	10,082	15,508

4 Revised Position Budget Position 2019/20

- 4.1 Requests for additional funding to meet the spending proposals outlined in this report and detailed within Directorate Business and Budget Plans remain subject to Scrutiny and Executive consideration. Should all the requests and recovery proposals be agreed there will be a resource gap in 2019/20 of £1.2m.
- 4.2 As stated earlier in the report, the options for closing this gap will include the application of the one-off grant in 2019/20 for Adult and Children's Social Care announced as part of the Chancellor's Autumn Budget 2018 alongside the announcements arising from the Local Government Finance Settlement and potential further changes to resources from Council Tax and Business Rates which will be known in January 2019. A revised position will be brought forward as part of the updated budget proposals to be reported to Scrutiny Committees and Executive in February 2019.

Table Four: Proposed Revised Budget Position

	2018/19 £'000	2019/20 £'000
Resources Available		
Business Rates Baseline	316,597	323,290
Business Rates Top Up / (Tariff)	(19,015)	(39,853)
<i>Baseline Funding Level</i>	<i>297,582</i>	<i>283,437</i>
(Reduced) / Additional Business Rates Income	7,393	18,114
Business Rates Grants	19,778	19,563
Council Tax	154,070	164,869
Other non-ringfenced Grants	35,809	40,527
Dividends and Use of Airport Reserve	53,342	53,342
Use of other Reserves	8,188	4,490
Total Resources Available	576,162	584,342
Resources Required		
<i>Corporate Costs:</i>		
Levies/Charges	67,945	68,762
Contingency	3,103	2,100
Capital Financing	44,507	44,507
Transfer to Reserves	7,181	3,409
<i>Sub Total Corporate Costs</i>	<i>122,736</i>	<i>118,778</i>
<i>Directorate Costs:</i>		
Additional Allowances and other pension costs	10,030	10,030
Insurance Costs	2,004	2,004
Directorate Budgets	437,003	435,206
Inflationary Pressures and budgets to be allocated	4,389	19,539
<i>Total Directorate Costs</i>	<i>453,426</i>	<i>466,779</i>
Total Resources Required	576,162	585,557
Shortfall	0	1,215

5 Scrutiny of the Draft Budget Proposals and Directorate Budget reports

- 5.1 The Directorate Business Plans are attached for the Committee's consideration. These reports contain details of how the Directorate will support the delivery of the Council's priorities as set out in the Our Manchester Strategy.
- 5.2 The Committee is invited to consider the proposals which are within its remit, alongside the draft Directorate budget reports and business plans and to make recommendations to the Executive before it agrees the final budget proposals.

6 Next Steps

- 6.1 Recommendations from the Scrutiny Committees will be considered by Executive at its meeting in January 2019 when it considers the draft budget proposals. These will incorporate any changes arising from the Local Government Finance Settlement and other funding announcements which are expected in early December.
- 6.2 The Executive will agree its final budget recommendations on 13 February 2019.
- 6.3 These recommendations will be considered by the Resources and Governance Scrutiny Committee at its special budget meeting on Monday 25 February. Chairs of the other five Scrutiny Committees will be invited to attend this meeting to articulate the views of their Committee regarding the proposals. The Council will then make its final decisions and will set the budget on 8 March 2019.
- 6.4 The timeline is detailed below. It is aligned with MHCC funding announcements and approvals. The pooled budget for Health and Social Care will need to be formally agreed at MHCC Board as part of finalising the budget.

Table Five: Budget Timeline

Dates	Milestones
December 2018	Consider Autumn Budget announcements and Directorate Business Plans for 2019/20. Identify consultation requirements.
4-6 December	Scrutiny Committees will consider the draft budget report and Directorate business plan(s) relevant to their remit
Early December	Local Government (Provisional) Finance Settlement issued and other funding announcements
Mid December	Publication of health and care national guidance and funding settlement
16 January 2019	Executive to consider draft budget proposals.
5-7 February	Scrutiny Committees to consider the updated budget position and make recommendations to Executive (13 February) and then on to Council in March, taking into account any consultation feedback
8 March	Council - Budget Approval and Council Precept Approval 2019/20 MHCC - Approve Final Budgets for the Pool (27 March)

- 6.5 Early next year work will begin on the budget requirements for 2020/21 and beyond. This is in the context of considerable changes to Local Government Funding including the outcome of the Spending Review, changes to how local government funding is distributed, changes to the Business Rates Retention

scheme, and the Green Paper on the future of Adult Social Care funding and interaction with the NHS 10-year plan.

7 Conclusions

- 7.1 The Council remains committed to the priorities within the three-year strategy 2017-20 which followed consultation with Manchester people on what services matter most to them.
- 7.2 The proposed 2019/20 budget has been adjusted to reflect changes arising following the first two years of the strategy, including increased service need, partly met by financial benefits generated from the City's growth.
- 7.3 In July 2018, an in-year overspend of £13.7m was forecast for 2018/19, this was reduced to £6.1m as reported in October through recovery plans. Work is ongoing to close this further, including the effective use of one-off resources and continuing budgetary controls. The full-year effect of the position in 2018/19 has been reflected in the 2019/20 proposals.
- 7.4 The 2019/20 original gap of £8.967m could be reduced to £1.215m if the proposed actions set out in this report are supported. Consideration must be given to closing the remaining gap. Potential options include application of additional funding expected following the Autumn Budget announcements, confirmation of funding in the provisional finance settlement expected early December and any changes to Council Tax or Business Rates when figures are finalised in January.

8 Recommendations

- 8.1 The recommendations appear at the front of this report.

Appendix 1**Corporate Plan Priorities**

Theme	Priority
Young people <i>From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better</i>	<ul style="list-style-type: none"> • Ensure all children have high-quality education
	<ul style="list-style-type: none"> • Support more Manchester children to have the best possible start in life and be ready for school and adulthood
	<ul style="list-style-type: none"> • Reduce the number of children needing a statutory service.
Healthy, cared-for people <i>Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives</i>	<ul style="list-style-type: none"> • Support Mancunians to be healthy, well and safe
	<ul style="list-style-type: none"> • Improve health and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally, delivering new models of care.
	<ul style="list-style-type: none"> • Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
Housing <i>Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes</i>	<ul style="list-style-type: none"> • Accelerate and sustain delivery of more housing, with enough affordable housing for those on low and average incomes, and improved quality of housing.
Neighbourhoods <i>Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of</i>	<ul style="list-style-type: none"> • Enable clean, safe, vibrant neighbourhoods
	<ul style="list-style-type: none"> • Reduce greenhouse gas emissions and improve air quality.
Connections <i>Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks</i>	<ul style="list-style-type: none"> • Improve public transport and highways, and make them more sustainable
	<ul style="list-style-type: none"> • Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a

Theme	Priority
	thriving digital economy.
Growth that benefits everyone <i>To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone</i>	<ul style="list-style-type: none"> • Support good-quality job creation for residents, and effective pathways into those jobs.
	<ul style="list-style-type: none"> • Facilitate economic growth of the city
Well-managed council <i>Support our people to be the best and make the most of our resources</i>	<ul style="list-style-type: none"> • Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
	<ul style="list-style-type: none"> • Balance our budget, including delivering savings, reducing demand through reform, and generating income.

Manchester City Council Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 6 December 2018

Subject: Corporate Core Business Plan: 2019/20

Report of: Deputy Chief Executive, City Treasurer and City Solicitor

Purpose of the Report

This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20.

In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.

Taken together, the directorate business plans show how the directorates will work together and with partners to deliver our Corporate Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Committee is invited to review and comment on the initial Corporate Core Business Plan. The plan will be developed further taking the Committee's comments into account, and a revised plan will be submitted to the Committee's meeting on 7 February 2019.

Wards Affected: All

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	Maintaining growth in order to continue developing the City's trading relationships, making the case for investment in infrastructure and housing growth and the Northern Powerhouse, leading devolution negotiations and local government finance localisation opportunities and the Council's response to EU exit process with government.
A highly skilled city: world class and home grown talent sustaining	Lead on key programmes of reform such as work and health, providing support and

the city's economic success	responding to the continuing changes to the welfare reform agenda.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Drive leadership for reform, health integration and support for the delivery of all Council strategic priorities. Lead changes to the organisation to deliver Our Manchester through improved and more consistent management, engagement of staff and lean fit for purpose systems supported through ICT investment
A liveable and low carbon city: a destination of choice to live, visit, work	Effective prioritisation of investment in low carbon initiatives
A connected city: world class infrastructure and connectivity to drive growth	Focus on the ICT infrastructure and resilience to deliver future efficiencies, enable improved ways of working and support devolution, health and social care integration and the changing shape of back office support for Manchester and other GM authorities.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report will be considered in preparation for the draft revenue budget submitted to the Executive on 13 February 2019.

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Background documents (available for public inspection):

Corporate Core Budget and Business Plan: 2017/18 -2019/20 - Executive – 8
February 2017

Corporate Core Budget and Business Planning: 2018-2020 - Executive – 7 February
2018

1. Introduction

- 1.1. This report sets out in broad terms the directorates key priorities, key activities and draft revenue and capital strategy for 2019/20. It is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.
- 1.2. In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan.
- 1.3. Taken together, the directorate business plans show how the different parts of the Council will work together and with partners to progress towards the vision set out in the Our Manchester Strategy.

2. The Directorate Business Plan

- 2.1. The Directorate Business Plan is set out from paragraph 4 below and includes:
 - A description of the contribution that the directorate makes to delivery of our Corporate Plan priorities
 - The directorate's vision and objectives
 - A self-assessment of the directorate's key challenges for 2019/20
 - The revenue strategy
 - The capital strategy/programme
 - Other considerations
- 2.2. This represents the initial draft business plan for the Directorate. A more detailed plan will be submitted to Scrutiny Committees and Executive in February which will update the position and take into account the comments of this Committee.

3. Recommendations

- 3.1. The recommendations appear at the front of this report.

4. Delivering our Corporate Plan

- 4.1. The Corporate Core directorate plays a key role in supporting the delivery of the Our Manchester Strategy, and all fifteen Corporate Plan priorities, through providing a range of universal services, services which enable the wider organisation to function effectively and through specific and focused support to deliver our priorities.
- 4.2. The core has a leadership and direct delivery role in delivering our Corporate Plan's '**well managed council**' priority theme. The core delivers key universal services and works with the wider organisation to:
 - **Enable our workforce to be the best they can be through the Our**

- **People Strategy and Our Manchester behaviours, and**
- **Balance our budget, including delivering savings, transforming services, reducing demand through reform, and generating income**

- 4.3. The core also has a key role in ensuring that the organisation delivers its statutory duties within the legal framework to very high standards, and monitors delivery of the Our Manchester Strategy and our Corporate Plan.
- 4.4. The core supports relationships with a wider range of key partners across Manchester, Greater Manchester, nationally and internationally to enable delivery of all of **our Corporate Plan priorities** and the wider vision for the city.
- 4.5. The core also has a leadership role through its work to influence outside of the organisation to:
- **Reduce greenhouse gas emissions and improve air quality**
 - **Improve public transport and highways and make them more sustainable**

5. Vision and Objectives

Corporate Core vision

- 5.1. The Corporate Core will play its part in delivering our Corporate Plan priorities and the Our Manchester Strategy through the delivery of direct and universal services and through providing effective and enabling support and leadership to the organisation.

Corporate Core objectives

- 5.2. The Corporate Core's objectives for 2019/20 are broadly reflective of the objectives as described in the 2018/19 plan but have been updated to reflect:
- Our Corporate Plan priorities
 - Changes to the composition of the directorate - the Highways service is now part of the Neighbourhoods directorate
 - Emerging work to transform the corporate core
- 5.3. The Corporate Core is composed of a number of services - described below:
- Corporate services - Financial Management, ICT, Revenues and Benefits, Audit and Risk Management, Procurement and Integrated Commissioning, Shared Service Centre and Customer Services
 - People, Policy and Reform - Human Resources and Organisational Development (HROD), Strategic Communications, Policy, Partnerships and Research, Reform and Innovation and Performance, Research and Intelligence
 - City Solicitor's - Legal Services and Statutory and Democratic Services
- 5.4. Further detail on each service's budget is described at section 7 (Revenue Strategy).

5.5. Four high level objectives have been defined for the Corporate Core which are described below and are aligned to delivery of our Corporate Plan priorities:

5.6. ***Provide high quality direct and universal services to residents***

The Corporate Core will deliver this objective through

- Delivery of customer services including front door services for adults and children's social care
- Collection of the council's main revenue streams - council tax and business rates
- Administration of benefits
- Effectively managing fixed discretionary budgets to ensure support to vulnerable residents and businesses in the city

5.7. ***Ensure a well managed council through enabling the council to function effectively***

The Corporate Core will deliver this objective through:

- Financial strategy and associated management, ensuring the best use of resources, and driving delivery of budget savings
- Procurement, support for effective commissioning and contract management and embedding social value
- Effective strategic planning and performance management, supporting the organisation to prioritise effectively driving outcomes for residents, and a reduction in demand
- Delivering Our People Strategy, enabling the workforce to be the best it can be
- Ensuring the organisation is making the most effective use of technology and the opportunities provided by digital public services
- Supporting the organisation to communicate effectively using the appropriate channels and media internally and externally

5.8. ***Ensure effective assurance and governance***

The Corporate Core will deliver this objective through:

- Ensuring the organisation is delivering its statutory duties, within the legal framework
- Supporting corporate governance and ensuring that decision makers to take decisions in accordance with the law
- Providing essential support to elected members
- Effectively managing risk and delivering internal audit and health and safety functions

5.9. ***Enable strategic leadership and reform through working with internal and external stakeholders and partners***

The Corporate Core will deliver this objective through:

- Facilitating shared strategic policy-making and leadership, with the city's wider partners, and partners across Greater Manchester, nationally and

internationally to ensure delivery of the Our Manchester Strategy for the city.

- Working with the Greater Manchester Combined Authority to maximise the opportunities of devolution, and nationally on resources and long term planning
- Providing strategic leadership and co-ordination to drive public service reform and service improvement including health and care integration, and wider work to bring services together for people in places
- Providing specialist support to major transformation programmes, through a range of functions including finance, technology, data science and organisational development
- Providing wider support to the organisation and the city to develop future focused strategies, including the Local Industrial Strategy, Digital Strategy and Local Development Plan.
- Adding wider value to the organisation through understanding and driving cross cutting approaches and issues including social value and welfare reform.
- Working with government and partners (HMRC) to develop enhanced data sharing agreements and improved processes to support the collection of debt and improve partnership working

5.10. The objectives will be delivered through a combination of proactive or planned activities, as well as reactive activities, reflecting constantly changing external circumstances. The objective will also enable the organisation to generate income through the provision of some services to external partners.

5.11. To support delivery of all of the objectives, 2019/20 will see continued focused work within the directorate on **corporate core transformation** with the objective of **moving towards a more effective, streamlined corporate core**. This work will deliver £0.5m of savings in 2019/20 and will focus on:

- Opportunities for further collaboration and reduction of potential duplication.
- Understand the statutory responsibilities and wider organisational enabling functions delivered by the Core
- Improving business process with increased efficiency and effectiveness in transactions across the City Council

6. Self-Assessment of Key Challenges 2019-20

6.1. The Corporate Core will play a pivotal role in delivering the priorities agreed for 2019/20. To achieve this the following challenges have been identified and will need to be addressed through joint working and a coordinated approach across all of the core functions. The Core will need to support organisational transformation to deliver our Corporate Plan and the three year budget strategy in critical areas such as Health and Social Care Integration and embedding the Our Manchester approach.

6.2. To achieve this, the Corporate Core has been delivering well against its performance objectives for 2018/19. Across the services within the Corporate

Core the focus has been on efficiency and delivery. For example, within ICT The average number of major incidents per month at the end of Sept 18 (10.00) remains below the result for the 2017/18 year (10.58) and a lower proportion of transactions were made face-face and via phone versus online requests in the first half of 2018/19 compared to the first half 2017/18.

- 6.3. In terms of feedback from residents and complaints handling, the percentage of Stage 1 complaints responded to in 10 days has shown sustained increases to reach 95.8%, very close to the 96% target. Latest performance reports have also demonstrated that the Corporate Core continues to exceed the 90% target for timeliness of Freedom of Information Requests and the 90% target for Direct Subject Access Request responses. However, challenges remain in terms of responding to resident feedback, as demonstrated by the fact that 20% of the ombudsman complaints received in 2018/19 were upheld, which is double the 10% target.
- 6.4. The percentage of council tax due, and business rates due, collected by the end of Sept 2018 are both slightly below that at the same point last year. Whilst the actual amount of council tax collected so far this year (£94.5m) is higher than this point last year (£88.4m), the amount of business rates collected this year (£198.5m) is lower than last year (£199.6m).
- 6.5. With regards to the performance of our Financial Services function, the average monthly results for % of invoices paid within 10 days and 30 days have both improved slightly from last month but remain below their targets. After remaining at circa 9% over the last 3 months, the % of pursuable debt over 1 year old at Sept 2018 has decreased to 4.95%.
- 6.6. Ensuring the Our Manchester behaviours are fully embedded and reflected in all parts of service delivery. The Core will support the Council, its partners and other stakeholders in this work. Evaluation of the impact of the Our Manchester approach on the vision for the city will commence from Quarter 4 2018/19 but this will need to remain an area of focus for 2019/20.
- 6.7. The City Solicitors' key challenges include ensuring effective delivery of statutory Registration and Coronial services in addition to oversight of the City's involvement in the Arena inquest. The service will need to balance the delivery of commercial project work and strategic acquisitions in addition to supporting new delivery models for health and social care and children's leaving care proposals. The team will also need to ensure a well run local election in May 2019 and provide support to Members ensuring the processes are undertaken well, inspiring confidence by our residents in the democratic process.
- 6.8. The Core will also support effective governance of integrated neighbourhood teams, including the operation of the Manchester Health and Care Commissioning function, and implementation of the Manchester Local Care Organisation. This will involve reviewing the resource required to build an integrated support service for the health and social care sector that delivers

efficiencies while still providing the level of support required to enable implementation of our new models of care and associated transformation.

- 6.9. The Core must continue to respond to, and support residents with the wider welfare reform agenda, including monitoring and addressing impacts on poverty and homelessness. Challenges include working with partners to mitigate impacts from the continuing roll out of Universal Credit, for example in terms of rent arrears. The leadership of the Core will need to effectively carry out the role of influencer in the city, to engage with communities, and partners across both the public and private sectors to ensure that the Family Poverty Strategy is fully embedded across Manchester.
- 6.10. Staff engagement across the organisation, as reflected through the B Heard Survey, improved so that the Council is now 'One to watch', however the Corporate Core has the lowest score of the Council's five directorates and as a directorate is just outside 'one to watch'.
- 6.11. Staff absence levels were 10.99 days per full time staff member in the 12 months up to Sept 2018 - one day more than the 12 months to Sept 2017. Organisational absence stood at 12.15 days, a slight increase compared to 11.93 the previous year. Supporting employees to maintain high attendance levels is a key component of Our Ways of Working and the Our People Strategy.
- 6.12. Revenues and Benefits aim to collect the maximum amount of money owed to the Council in accordance with its vision and values' Within this a key challenge remains the need to retain high collection rates of both current year and arrears. Changes to Council Tax charges for long term empty properties will be introduced to fund increased discretionary support to vulnerable residents. The Business Rates retention trial will be monitored to understand its impact on resources.
- 6.13. A key challenge will be to monitor and support reduction in demand for children's and adult's social care and health services and meet demand through cost-effective service provision to meet the Council's budget requirements in 2019/20 and beyond. The core is directly involved in terms of providing the front door that will require changes to the delivery model to support the changes in both children's and adult social care delivery in the city. A core component of maximising our value for money will be the continued focus of developing capacity and skills relating to commissioning and contract management.
- 6.14. The Core must support local businesses and job creation through embedding social value in commissioning and procurement, including managing and monitoring delivery of social value activities, and through the prompt payment of invoices. At the end of September year to date performance was 58% of invoices paid within 10 days and 85% within 30 days with improvements targeted to reach 65% and 90% respectively.

- 6.15. ICT will play a significant role in providing the infrastructure to enable the organisation to operate efficiently. This will focus on areas including improving the resilience and security of ICT systems, and arrangements for disaster recovery. This will contribute to the continued drive to reduce the number of major ICT incidents which occur in a month from 10.58 in 2017/18 and improved performance of our systems. Having delivered a significant number of project in 2018 further projects are set to deliver enhanced capability over the next few years as part of the ICT Capital Plan. A new Legal Services case management solution and a GDPR system are in the pipeline for 19/20 to support assurance and efficiency in these areas.

7. Revenue Strategy

- 7.1. The Corporate Core gross 2018/19 budget is £321,064m, and the net budget is £69.484m with FTEs of 1,737, the breakdown by service area is shown in the table below.

Table 1: 2018/19 Base budget

Service Area	2018/19 Gross Budget £'000	2018/19 Net Budget £'000	2018/19 Budgeted Posts (FTE) £'000
Human Resources and Org Development	4,672	4,445	82.6
Reform and Innovation	1,105	969	18
Policy	12,221	9,213	52.6
Communications	5,515	3,690	90.1
Performance	4,562	4,445	82.6
People, Policy & Reform Sub Total	28,075	22,844	339
Legal services	8012	2,811	203.6
Democratic and Statutory Services	5,070	3,582	88.6
Executive Office	3,131	3,131	18.5
Legal, Democratic Sub Total	16,213	9,524	311
CEX Corporate Items	1,512	1,476	0
Total Chief Executives	45,800	33,844	649
Commissioning & Procurement	1,628	1,327	33
Revenue and Benefits	246,055	8,926	347.8
Financial Management	6,118	5,723	155.3
ICT	14,085	14,035	160.5
Audit, Risk and Resilience	1,798	1,401	39.6
Shared Service Centre	1,512	803	112.7
Customer Services	4,262	4,161	149.5
Capital Programmes	266	(199)	89

Service Area	2018/19 Gross Budget £'000	2018/19 Net Budget £'000	2018/19 Budgeted Posts (FTE) £'000
Corporate Services Corporate Items	402	265	0
Total Corporate Services	260,150	22,961	508
Cross Cutting Savings	(872)	(802)	
Grand Total Corporate Core	321,064	69,484	1,737

- 7.2. The Corporate Core budget of £69.484m is net of the £2.945m savings that were agreed as part of the 2018/19 budget process. There are £2.160m of savings already approved as part of the 2018/20 budget process, and there are £1.189m of further proposals included as part of the current draft budgets. The breakdown of both the already approved and the proposed savings are set out by service area in Appendix 3.
- 7.3. The Corporate Core will continue to support other Directorates of the Council to ensure that we are a well managed Council.

Savings Proposals 2019/20

- 7.4. As part of the 2018/19 budget process total savings proposed by the Core were £5.105m, and these were phased £2.945m in 18/19 and £2.160m in 19/20, see appendix 2 for full details of the original approved savings. A further £1.189m has been proposed as part of the work that has been undertaken to ensure a balanced budget overall. Summary details of the additional Corporate Core proposed savings are shown in the table below, with further details of both the already approved savings and the additional proposals set out in the following paragraphs.

Corporate Core Proposed Savings	Amount 2019/20 £000's
City Policy - Reduced expenditure on project's & supplies and services	100
Reform and Innovation – Reduced supplies and services	4
Communications - Reduce central communications budget	25
HR – Reduced supplies and services budgets	50
PRI – Reduced costs of Data Governance improvement programme	60
ICT – Reduced contracts budgets	435
Commissioning – Reduced supplies and services	15
Additional savings target from Core Transformation work	500
Total Proposed Savings Corporate Core	1,189

People, Policy and Reform - £179k

- 7.5. People, Policy and Reform has a net budget of £22.844m and 339 FTEs. The services have identified proposals of £179k for 2019/20 as part of the budget work. These savings are made up of £79k reduction in supplies and services budgets in HR/OD (£50K), Communications (£25k) and Reform and Innovation (£4k). There is also £100k saving proposed that will be achieved through a combination of reduced project expenditure and reduced supplies and services budgets. The savings will need to be balanced against the need for increased work in respect of the Zero Carbon and Clean Air Agenda, Culture projects, the Industrial Strategy and the transport agenda.
- 7.6. Performance Research and Intelligence have proposed £60k savings for 2019/20, this is to be achieved through a reduction in the overall costs of the Data Governance improvement programme.

Legal Services - £100k

- 7.7. Legal services have £150k approved savings proposals as part of the original 2018/20 budget, these were made up of £50k in 2018/19 through efficiencies following the introduction of the new legal case management solution and £100k staffing reduction following the forecast reduction in Children's caseload. The new ICT proposal is now expected to be implemented in 2019/20, and this will enable the savings to be achieved through reduced staffing.
- 7.8. The planned reduction in the Children's legal caseload has not been realised, and therefore the planned saving cannot be achieved, although it has been agreed that there will be savings through further reduced staff costs following a review of the overall legal services.

Statutory and Democratic Services

- 7.9. The Coroners service approved £55k savings through a review of the existing mortuary contract, and potentially including other Greater Manchester coroners, has not been realised and the costs have increased. To enable the Coroners to deliver a balanced budget and mitigate both the existing cost pressures and the savings target not met the City Solicitor is to review the Coroners service, to ensure efficiencies are made within the service this will include benchmarking against other Coroners to ensure Performance and costs are in line with best practice.

Commissioning and Procurement - £15k

- 7.10. Commissioning Services have been supporting all Directorates to improve existing processes, and reduce costs through better commissioning of contracts, and this has helped reduce costs in Directorates. As part of the additional budget proposals £15k has been identified through a reduction in the supplies and services budgets.

Financial Management - £390k

- 7.11. As part of the improvements to existing Finance systems and introduction of new ICT systems a saving of £390k savings was approved to be met, predominantly, through a reduction in staff numbers as part of the 2018/20 budget process. There have been some new services approved which have extended the planned implementation of the new systems which will support more efficient processes, and the service will seek to mitigate this in-year and continue towards the delivery of the approved savings in 2019/20.

ICT - £0.605m

- 7.12. ICT have already delivered savings of £0.535m in 2018/19, and there is another £170k savings approved for 2019/20 as part of the 18/20 budget, along with further proposals of £435k as part of the budget work. The savings are made up of a combination of efficiencies and reduced operating costs. The total proposed £0.570m savings are:
- £170k through reduced maintenance/licencing costs
 - £435k proposed through reduced supplies and services budget following transfer to new data centre

Cross Cutting Savings - £2m

- 7.13. Over 2018/19 and 2019/20 there are £3m of workforce related savings approved, the savings are to be delivered through having no requirement to change existing terms and conditions, and £1.5m scheduled for 2018/19 has been achieved, with a further £1.5m planned for 2019/20.
- 7.14. The £1.5m 2018/19 target has been achieved through a combination of reducing staffing budgets to allow for vacant posts, deleting a number of long term vacant posts, the rationalisation of Council funded car parking passes and increasing the savings from staff purchasing annual leave, supported by an increase of the available days to purchase from 5 to 10 and a voluntary Christmas close down.
- Work has been ongoing to look at the options for delivery of the additional £1.5m required in 2019/20, and this work has been done in consultation with Trade Unions. The proposals include the following.
 - Reduce spend on essential car user allowances by c.£450k. This will be delivered by ensuring compliance with the policy and removing the allowance from those who don't meet the agreed criteria for payment
 - Further savings of £150k from additional annual leave purchase by staff, this is based on analysis of take up this year and further planned interventions to encourage further take up next year.
 - A change to the existing purchase of additional voluntary contributions scheme is expected to achieve savings of £200k, work is ongoing looking at this option.
 - Taking the three proposals above there is a shortfall of c£0.7m and it is proposed that this will be bridged through further review of all long term vacancies and agreeing with Directorates the deletion of c25 posts.

7.15. As referenced at section 5, work has now commenced on delivering a transformation programme across the Corporate Core, this will look at opportunities across all three parts of the Core including Corporate Services, City Solicitors and People Policy and Reform. There is an initial £0.5m savings target proposed as part of this piece of work

7.16. The initial themes to be considered include:-

- Opportunities for further collaboration and reduction of potential duplication.
- Understand the statutory responsibilities and wider organisational enabling functions delivered by the Core
- Improving business process with increased efficiency and effectiveness in transactions across the City Council

Budget Risks

7.17. The Core will continue to look at mitigating budget risks from within the existing approved budgets, the current known risks that are being mitigated are:-

- Coroners - There has been a 27% increase in the number of cases being reviewed compared to 2013/14, in line with national trends. There is also an increase in the number of complex cases requiring a juror's inquest and additional expert witnesses. A review of how services are provided within the Coroners service is to be undertaken, this will involve reviewing existing systems and processes to ensure that the systems and processes are as effective as possible and in line with other comparator coroner's services. It is anticipated that the review of systems and processes will reduce costs that help mitigate the cost pressures going forward.
- Commissioning - As part of the 2018/19 budget, cross cutting Commissioning and procurement savings of £0.75m were approved. To date the Commissioning and Corporate Procurement teams have focused on supporting directorates in making significant savings, which have helped reduce net directorate spend. To date savings of £117k have been achieved against the approved £0.75m, leaving a shortfall of £0.633m. This has been covered from within the Core in the current financial year. A pipeline of commissions and contracts that are due for renewal has been prepared, and the better planning will help work together and undertake more timely and improved procurement that will help realise the remaining £0.633m savings in 2019/20.

8. Capital Strategy / Programme

8.1. The capital programme for the Corporate Core totals £474.2M over the period 2018/19-2021/22, this includes the ICT programme, loans to third parties, and projects carried out on behalf of the Greater Manchester Combined Authority (GMCA). A summary of the current capital budget is shown in the table below, with the detailed projects shown in appendix 3:

	2018/19 £m's	2019/20 £m's	2020/21 £m's	2021/22 £m's	Total £m's
ICT	8.4	17.3	15.3	6.4	47.4
Corporate Investment	132.0	5.7	6.1	2.7	146.5
GM projects	132.3	118.6	29.4	0.0	280.3
Total	272.7	141.6	50.8	9.1	474.2

- 8.2. The ICT investment plan is ongoing, with significant works having been undertaken in 2018/19 including implementation of a new social care system, and design and implementation works to the data centre and associated networks.
- 8.3. Funding has been provided to the Airport in the form of a shareholder loan, and financial support made available for the development of a project with Health Innovation Manchester to conduct research on life science sub-sectors of health and medical technologies is being agreed.
- 8.4. The projects held on behalf of the GMCA relate to loans for housing projects, and with the borrowing powers of the Combined Authority having recently been revised it is anticipated that the vast majority of the new projects and existing loans will transfer over to GMCA in the near future.

9. Other Considerations

- 9.1. It should be noted that any changes proposed from business plans may require public consultation depending on their nature and impact on services. There remains a statutory requirement to consult business rate payers each year as part of the budget setting process.
- 9.2. The business plans submitted to Executive and Scrutiny Committees in February will include a full description of consultation and conversation with partners and other stakeholders that have taken place to develop budget proposals, as well as the potential impact of proposals on different communities in Manchester and outcomes of equality analysis carried out as well as future Equality Impact Assessments required. Workforce implications will also be considered, including any required reduction in budgeted posts as well as strategic workforce development objectives for the Directorate.

Appendix 1 - Revenue Financial Plan

Table showing an overall summary of financial position

Subjective Heading	2018-2019 Budget £'000	2019-2020 Indicative Budget £'000
Expenditure:		
Employees	71,316	70,826
Running Expenses	265,438	262,579
Capital Financing Costs	43	43
Contribution to reserves	0	0
Total Subjective Expenditure	336,797	333,448
Less:		
Other Internal sales	(15,725)	(15,725)
Gross Expenditure	321,072	317,723
Income:		
Government Grants	(219,972)	(219,972)
Contributions from Reserves	(1,740)	(1,740)
Other Grants Reimbursements and Contributions	(5,014)	(5,014)
Customer and Client Receipts	(12,111)	(12,111)
Other Income	(12,751)	(12,751)
Total Net Budget	69,484	66,135

Appendix 2 – Corporate Core Approved Savings

Service Area	Description of Delivery Plan	Amount of Delivery Plan			FTE Impact (Indicative)
		2018/19 £,000	2019/20 £,000	Total £,000	
ICT	Revenue Savings through reduction in contract costs - data & telephony, mobiles and printing	150		150	
	Reduction in maintenance and refresh of ICT equipment	150		150	
	Revenue savings through reduce maintenance/ licensing cost following capital investment	170	170	340	
	Travel reductions across the council from collaboration technology	50		50	
Legal and Democratic Services	Staffing reduction in legal services following planned reduction in Children's caseload		100	100	2.0
	Review of provision of mortuary services on a Manchester or Greater Manchester basis	55		55	
	Efficiencies through implementation of caseline bundling system.	50		50	
Financial Management	Reduce funding for vacant Head of Finance post following implementation of lean systems	100		100	1.0
	Lean systems: Service review and improved efficiency through ICT developments and changes to finance processes		390	390	11.0
Audit and resilience	Increased income to offset time limited reduction in 2016/17	(30)		(30)	
Cross cutting	Commissioning Savings through review of contracts Directorates	750		750	
HR Policies & Processes	Review existing HR policies and Processes	1,500	1,500	3,000	
	Corporate Core Total Savings	2,945	2,160	5,105	

Approved Medium Term Financial Plan

	Approved MTFP						
Service Area	2018/19 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	2019/20 Net Budget £'000	2019/20 Identified pressures £'000	2019/20 Recovery proposals £'000	Proposed 2019/20 Net Budget £'000
Human Resources & Org Development	4,445	0	0	4,445	0	(50)	4,395
Reform and Innovation	969	0	0	969	0	(4)	965
Policy	9,213	0	0	9,213	0	(100)	9,113
Communications	3,690	0	0	3,690	0	(25)	3,665
Performance	4,527	0	0	4,527	0	(60)	4,467
People, Policy & Reform Sub Total	22,844	0	0	22,844	0	(239)	22,605
Legal services	2,811	(100)	0	2,711	0	0	2,711
Democratic & Statutory Services	3,582	0	0	3,582	0	0	3,582
Executive Office	3,131	0	0	3,131	0	0	3,131
Legal, Democratic Sub Total	9,524	(100)	0	9,424	0	0	9,424
CEX Corporate Items	1,476	0	0	1,476	0	0	1,476
Total Chief Executives	33,844	(100)		33,744	0	(239)	33,505

Service Area	Approved MTFP				2019/20 Identified pressures £'000	2019/20 Recovery proposals £'000	Proposed 2019/20 Net Budget £'000
	2018/19 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	2019/20 Net Budget £'000			
Procurement and Commissioning						(15)	
Financial Management	5,723	(390)	0	5,333	0	0	5,333
ICT	14,035	(170)	0	13,865	0	(435)	13,430
Audit, Risk and Resilience	1,401	0	0	1,401	0	0	1,401
Shared Service Centre	803	0	0	803	0	0	803
Customer Services	4,161	0	0	4,161	0	0	4,161
Capital Programmes	(199)	0	0	(199)	0	0	(199)
Corporate Services Corporate Items	265	0	0	265	0	0	265
Total Corporate Services	22,961	(560)	0	44,827	0	(450)	44,392
Cross Cutting Savings	(802)	(1,500)	0	(2,302)	0	(500)	(2,802)
Total Corporate Core	69,484	(2,160)	0	76,269	0	1,189	75,095

Appendix 3 - Capital Strategy / Programme table from 2018/19

Project Name	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
ICT Capital Programme					
Solaris	11				11
Citrix 7.6 Migration	1				1
Mobile Device Refresh	49				49
PSN Windows 2003	140				140
Data Centre UPS Installation	20				20
Core Switch Firmware	58				58
New Social Care System	2,039				2,039
End User Computing	886				886
Core Infrastructure Refresh	533				533
Income Management	33				33
Customer & Bus. Relationship Management System	33				33
Corporate Reporting Tool (Business Objects)	11				11
Internet Resilience	154				154
New Rent Collection System	75				75
Communications Room Replacement Phase 2	500	4,455	69		5,024
Data Centre Network Design and Implementation	2,964	144			3,108
ICT Investment Plan	845	12,696	15,231	6,399	35,171
Wide Area Network Redesign	26				26
Corporate Capital Programme					
Airport Strategic Investment	125,000				125,000
BioMedical Investment	7,000	5,500	6,100	2,700	21,300
Band on the Wall		200			200
Projects carried out on behalf of Greater Manchester					
Housing Investment Fund	132,323	118,605	29,350		280,278
Total Corporate Core projects	272,701	141,600	50,750	9,099	474,150

Manchester City Council Report for Resolution

Report to: Neighbourhoods and Environment Scrutiny Committee – 5 December 2018
Economy Scrutiny Committee - 5 December 2018
Resources and Governance Scrutiny Committee - 6 December 2018

Subject: Strategic Development Business Planning: 2019-2020

Report of: Strategic Director (Development)

Summary

This report sets out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019-20.

In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan. This report is a refresh of the directorate's Business Plan for 2018-20 in the context of current resources, challenges and opportunities.

Taken together, the directorate business plans show how the directorates will work together and with partners to deliver Our Plan and progress towards the vision set out in the Our Manchester Strategy.

Recommendations

The Committee is invited to review and comment on the initial draft Strategic Development Business Plan. The plan will be developed further taking the Committee's comments into account, and a revised plan will be submitted to the Committee's meeting in February 2019.

Wards Affected: All

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	Providing leadership to support, promote and drive the role and continuing growth of the city centre as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land.

A highly skilled city: world class and home grown talent sustaining the city's economic success	Supporting the delivery of a Schools Capital Programme which will provide new and expanded high quality primary and secondary school facilities for a growing population through the identification of suitable sites which can support our wider transformation proposals for neighbourhoods in the city. Work and Skills are supporting the Manchester College to develop a City Centre campus to deliver higher level skills required by the City's growth sectors. Manchester Adult Education are raising skill levels of Manchester residents and ensuring they are connected to education and employment opportunities across the City.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Creating places where residents and partners actively demonstrate the principles of Our Manchester. Providing opportunities for our residents furthest from the labour market to access work, skills & progression opportunities.
A liveable and low carbon city: a destination of choice to live, visit, work	Actively manage the impact of a growing population and economy to minimise the city's carbon emissions through planning and working with partners across the City to move towards becoming a zero carbon city by 2038.
A connected city: world class infrastructure and connectivity to drive growth	Contribution to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps retain residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets

The proposals set out in this report will be considered in preparation for the draft revenue budget submitted to the Executive on 13 February 2019.

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Background documents (available for public inspection):

- Strategic Development Budget and Business Plan: 2017/18 -2019/20 - Executive – 8 February 2017
- Strategic Development Budget and Business Planning: 2018-2020 - Executive - 7th February 2018

1. Introduction

- 1.1. This report sets out in broad terms the directorate's key priorities, key activities and draft revenue and capital strategy for 2019/20. It is a refresh of the directorate's Business Plan for 2018-20 in the context of changing resources, challenges and opportunities.
- 1.2. In the Business Plan for the period 2017-2020, directorates set out their proposed savings in the context of their objectives. This report sets out both the progress made to date in delivering these savings and the directorate's focus over the final year of the three year plan.
- 1.3. Taken together, the directorate business plans show how the different parts of the Council will work together and with partners to progress towards the vision set out in the Our Manchester Strategy.

2. The Directorate Business Plan

- 2.1. The Directorate Business Plan is set out from paragraph three below and includes:
 - A description of the contribution that the directorate makes to delivery of our Corporate Plan priorities
 - The directorate's vision and objectives
 - A self-assessment of the directorate's key challenges for 2019/20
 - The revenue strategy
 - The capital strategy/programme
 - Other considerations
- 2.2. This represents the initial draft business plan for the Directorate. A more detailed plan will be submitted to Scrutiny Committees and Executive in February which will update the position and take into account the comments of this Committee.

3. Delivering Our Plan

- 3.1 The Directorate has a pivotal role in driving the **sustainable economic growth of the city** by securing new commercial development, attracting inward investment and generating employment growth across the city. Along with providing leadership to the Council's Housing function, Strategic Development is delivering the City Council's Residential Growth Strategy which underpins the city's economic growth trajectory. The management of the City Council's land and property assets to promote growth is closely aligned with the management of the City Council's operational and investment estates. In July 2018 the Directorate expanded to include the planning, building control and licensing functions to enhance the strategic planning and place shaping function. Additionally, Work and Skills and Adult Education services joined the directorate to ensure that **Manchester residents directly benefit from the economic growth and development of the city and associated jobs creation.**

- 3.2 The Directorate also works with a range of stakeholders to enable people to better support their **children's learning, fulfilling their potential** and to be active citizens contributing in their communities. For an increasing number of residents, this means support to manage the impact of welfare reform and transition to universal credit.
- 3.3 Strategic Development has the central role in **ensuring the delivery of the right mix of good quality and affordable housing for Manchester residents to have a good choice of quality homes. We will accelerate and sustain the delivery of more housing, including enough which is affordable for our residents on low and average incomes** and will intervene, where necessary, to speed up the delivery of housing across the city, including developing homes ourselves.
- 3.4 The directorate recognises that we have a responsibility to support some of our most vulnerable residents, those at risk of, or **experiencing homelessness, and we are dedicated to enabling better housing options and better outcomes**. The review of the Allocations Scheme is to ensure that the correct level of rehousing priority is given to vulnerable people.
- 3.5 The Directorate also works directly with colleagues in the Neighbourhoods Directorate in the planning and delivery of new **neighbourhoods** making sure these meet the needs of our diverse and complex communities. As the Directorate with the key role for creating places where people will live or work our developments must consider the impact on **highways, connectivity**, and neighbourhoods management services (such as waste collections). We work proactively in partnership with businesses, residents and partners to make sure our developments meet local needs to deliver neighbourhoods people want to live in.
- 3.6 The directorate strives to be **well managed, to balance our budgets** and to provide additional efficiencies and **increase income** from the council's property portfolio to help underpin the council's budget.
- 3.7 The Directorate also actively progresses the Our Ways of Working through the ongoing review and rationalisation of our operational estate, which the council uses to deliver all of its services from, to provide a more efficient asset base with a reduced carbon footprint. We constantly review our operational estate to ensure the Directorates have the right building assets to deliver quality services and deliver the Corporate Plan. We also actively encourage our teams to work differently, and in an agile and flexible way as part of demonstrating our commitment to Our Ways of Working.
- 3.8 The **Our Manchester approach** is at the heart of how we work. As a directorate we are committed to put people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries. We are committed to listening, then learning, then responding to the needs of our residents and creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. We are committed to working together more, by building long

term relationships and having honest conversations which give a say and role to both those who need services and those who provide them.

4. Vision and Objectives: Building Manchester's Future

- 4.1 The Strategic Development Directorate seeks to drive effective place making and facilitating the economic growth of the city by creating the necessary conditions needed to promote strong growth in commercial, residential, retail and leisure related development in the city, stimulating new employment, new homes and broadening the City Council's tax base. To ensure that all Manchester residents benefit from this growth by providing good quality training and job creation and developing effective pathways for residents into these jobs.
- 4.2 Together with the other Directorates of the Council, Strategic Development will deliver the shared vision and objectives set out in the Our Manchester Strategy and the Corporate Plan. The specific objectives for Strategic Development are:-

Growth that Benefits Everyone: Facilitating the Economic Growth of the City

- The continuing sustainable growth of the city centre as a major regional, national and international economic driver; ensuring growth through efficient use of land for commercial led development opportunities, such as: the Airport City Enterprise Zone; the Didsbury Technology Park; the Eastern Gateway and the Etihad Campus; St John's Quarter, Mayfield, Manchester Science Park and the Corridor Enterprise Zone;
- Uphold Manchester's attractiveness as an investment opportunity for new commercial, residential and other development opportunities;
- Maintain and build confidence in Manchester's reputation as a destination City through the growth and improvement of its retail provision, the opportunities presented by its diverse cultural, sporting and leisure offer, together with its civic functions as a focus for residents and visitors;
- Ensuring residents, neighbourhoods, businesses and goods can connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure such as High Speed Rail (HS2, Northern Powerhouse Rail and Northern Hub), bus reform, and new walking and cycling infrastructure;
- Utilise the city centre developments, coupled with strengthening and diversifying the city's economic base, to drive new employment growth. Provide businesses with the opportunities to grow and re-invest in Manchester as their City of choice through the provision of new workspace across the city; and

- Support businesses to grow and re-invest in Manchester as their city of choice through a quality business support offer; local recruitment and contributing to social and environmental outcomes.

Growth that Benefits Everyone: Pathways to Good Quality Job Creation for Residents

- Maximise employment opportunities for Manchester residents, leveraging, in particular, where the City Council has a partnering, land ownership, investment, procurement or commissioning role;
- Ensure that business start-up and growth services deliver a quality offer for the City's businesses and facilitate more of the City's residents to start a business or pursue self-employment;
- To improve the skills and qualifications of adults in Manchester, working with partners to commission and deliver integrated services that support residents into employment;
- Simplify the skills offer and pathways for residents from all backgrounds to lead to sustainable jobs and careers progression, working with colleges and training providers to provide quality post-16 education and training with an accessible learning offer for all and clear routes to centres of excellence providing higher level and technical skills linked to the City's growth sectors;
- Improved careers advice based on real labour market information and continued work with schools and colleges to ensure that there are a range of positive pathways that provide young people with the skills and attributes needed to successfully compete in the labour market; and
- Embed work as an outcome across the City's reform programmes and continue to work with Working Well and the health system more broadly to support more people with underlying health conditions into sustainable and quality work.

Housing: The right mix of good quality affordable Housing

- Create places where people want to live in good quality housing with diverse tenures; inclusive neighbourhoods with a good social, economic, cultural offer and visitor offer;
- Promote new developments that support our environmental objectives associated with a zero carbon city;
- Contribute to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps attract and retain residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the public transport infrastructure;

- Explore and exploit the opportunities of new technologies including offsite construction to accelerate and sustain the delivery of more high quality and affordable housing; and
- Work with colleagues in Adult and Children's Services to deliver housing solutions for some of the most vulnerable residents in the city, including people who are homeless, people with a learning disability, older people and Our Children (who have been in the care of the Local Authority).

Young People: Supporting Children to have the best possible start in life

- Support the implementation of the City's Family Poverty Strategy, using an "Our Manchester" approach to engage with families and neighbourhoods, where a disproportionate number of our children and young people grow up in poverty.

Healthy Cared for People

- Utilising our operational estate to enable integrated neighbourhood working by connecting teams to other services and assets locally.

Neighbourhoods: Reduce Greenhouse gas emissions

- Supporting Manchester's commitment to be a zero carbon city by 2038 by reducing the Councils direct CO2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings; and
- Leading and influencing others to reduce CO2 emissions in industry, commercial and residential sectors through developing planning policy and influencing contractors through procurement and commissioning.

5. Self-Assessment/Key Challenges

- 5.1 In order to facilitate and support the delivery of these priorities for the City and its residents, the Directorates will also need to address some key challenges.

The Investment Estate

- 5.2 Although Strategic Development will deliver its budget requirements, and during 2018/19 has increased income from the investment property estate to support the overall council budget position, the task of delivering both the budget requirements for 2019/20 and securing additional income from our property estate will continue to remain a key challenge for the Directorate. As such a key challenge for the future is continuing to strengthen the performance of the council property estate that comprises around 4,300 separate interests that create income. New opportunities to generate long term income will continue to be explored and evaluated along with ongoing reviews to ensure costs against the estate are controlled.

The Operational Estate

- 5.3 In respect of the Council's land and property estate that is used to deliver Council services from the team that is responsible for this operational estate will continue to make best use of the total collective public and community assets (Council and other publically owned assets) to support estates transformation and deliver modern efficient services to our residents and businesses. To support this Operational Estate Strategy and its associated capital investment needs will support key Council priorities such as the ambition of a zero carbon city. The Operational Estate accounts for 3% of the City's CO2 emissions; the latest data for 2017/18 showed that the Council's total direct CO2 emissions had reduced by 33.8% since 2009/10, putting the Council on target for a 41% reduction by 2020.

Commercial and Housing Development

- 5.4 In addition to the very direct contributions to supporting the Council's wider budget position the Directorate has a central role in facilitating the growth of the Council's business rate and council tax base, on which the Council's budget is becoming increasingly reliant. Looking forwards the uncertainty arising out of the June 2016 referendum decision to leave the European Union, and the current lack of clarity as to the precise detail on what BREXIT will be, has the potential to slow down investment decisions in new development.
- 5.5 Any slowdown will manifest itself within the Council through a reduction in the number of planning applications made with a consequent impact on planning fee income. The Planning Service is predominantly funded through the planning fees and this income is volatile. Although in recent years planning fee income has exceeded target, this cannot be guaranteed going forward. In 2016/17 it was agreed to set up a reserve to enable smoothing of planning fee income if planning fee income reduces; the reserve is currently £1.561m. Planning fee rates are set nationally, and in January 2018 a 20% increase was applied on condition that this is re-invested into improving planning services. To manage this there will be a review of all Planning fee income.
- 5.6 In respect of sustaining the delivery of new housing in the city and the expansion of new affordable housing across the city there will be a requirement to address the organisational capacity issues needed to ensure the housing pipeline in the city is sustained. In light of both the uncertainties that may arise from BREXIT and the need to actively drive forward new affordable homes programmes in the city additional staffing capacity in Strategic Development, Legal Services and Planning is currently being reviewed.

Work & Skills

- 5.7 In terms of connecting our residents to the job opportunities being created in the city and the rest of the conurbation the Work & Skills and MAES team play a key role in ensuring that these outcomes are secured. The 2018 State of the City Report highlighted the key Challenge in ensuring that Manchester

residents directly benefit from the economic growth of the city, and in particular, that report has shown that 1 in 4 people aged 50-64 are accessing out of work benefits with health featuring as a major challenge. The Work and Skills and MAES team will be embedding this into the work programmes.

Directorate Wide

- 5.8 Over recent years we have reviewed the approach to commissioning and contracts supporting our partners and the broader supply chain, delivering services on our behalf, to explore the added social value they can contribute to the city.
- 5.9 The directorate needs to ensure it has the capacity to deliver the Council's affordable housing strategy and other strategic development opportunities; therefore a review of resources will be completed with a view to increasing its establishment especially within the Housing and Residential Growth teams.
- 5.10 The Directorate has been committed to enabling the workforce to be more resilient, effective, creative, ambitious and innovative through embedding Our Manchester and developing a culture of trust, honesty and empowerment is critical and we are committed to plan for the future workforce. There is a commitment to ensure staff are equipped with the skills and knowledge needed to be able to work in an Our Manchester way. To date, 287 staff have attended the Listening in Action events, and 110 have attended the Our Manchester experience. The directorate has already exceeded apprenticeship commitments for the year.
- 5.11 We are supporting our managers through Our Manchester Leadership and Raising the Bar training, of which 32 and 77 staff have completed respectively. Strategic Development now has the lowest absence levels in the Council and its use of agency staff is comparatively low.
- 5.12 It is essential that we continue to embed the Our Manchester approach and behaviours throughout the workforce and in the services approach to delivery. The Directorate continues to deliver a programme of engagement activities including large scales staff conferences, service specific away days and team huddles. The most recent staff conference focused on 'Our Manchester in Action' which was well received by staff with 73% of attendees providing feedback, 97% were satisfied with the event and 88% said it was relevant and helpful for their job. The staff engagement survey results from 2018 placed the Directorate in the 'One to Watch Category' and revealed that employees wanted greater opportunity for development opportunities which is being addressed through the Workforce Development Group with a focus on 'skills for growth' and innovation to support the development of the key priorities.
- 5.13 A challenge for the directorate is communicating and engaging with front line staff employed within Facilities Management Services that have limited or no access to work emails, computers, e-learning and difficulties being released from frontline duties to attend training sessions. Plans are currently being

developed within the service to establish a bespoke solution to meet this challenge.

- 5.14 Supporting our ways of working also remains a priority, we intend to increase productivity amongst staff within the directorate through adopting leaner support systems and processes (ICT, HROD, and Finance) which enable efficient working, whilst also ensuring we have appropriate oversight and governance arrangements in place.

6. Revenue Strategy

- 6.1 The Strategic Development Directorate has a gross budget of £53.926m and a net budget of £7.410m, with 668 FTE's. The breakdown of both budget and FTE's by service area is set out in the table below:-

Table 1: 2018/19 Base budget

Service Area	2018/19 Gross Budget £'000	2018/19 Net Budget £'000	2018/19 Budgeted Posts (FTE) FTE
Operational Property	8,029	7100	33
Facilities Management	10,754	9,065	183
Investment Estate	7,042	(12,290)	27
Strategic Development	690	323	4
City Centre Regeneration	1,311	425	10
Housing & Residential Growth	2,983	1,577	34
Planning, Building Control & Licensing	6,830	(513)	128
Work and Skills	1,761	1,723	24
Manchester Adult Education Service	10,308	0	219
Our Town Hall Project	4,218	0	6
Total	53,926	7,410	668

- 6.2 As part of the original three year budget proposals savings of £433k were identified for delivery in 2017/18, and all have successfully been delivered with the exception of the £250k procurement savings on security and repairs and maintenance. Both these contracts are currently being re procured and the savings are now expected to be achieved in 2019/20 following completion of the procurement exercise.
- 6.3 In order to ensure that the City Council's advertising portfolio is managed effectively, and any opportunities for improved co-ordination of advertising across the City are maximised all the advertising contracts will be consolidated and managed within the Investment estate. In doing this the already approved

£0.7m saving to be achieved from the re procurement of the on street advertising sites has transferred from Highways to Strategic Development. The new contract will commence in September 2019, and the risk of delivering the savings in year will become clearer once the procurement exercise is complete.

- 6.4 As part of the work to review budgets and identify proposals to support the wider Council budgets, Strategic Development has identified savings proposals of £1.02m, these comprise of increased and the details are set out in the table below.

Strategic Development Proposed Savings 2019/20	19/20 £000's
Building Control - Increase recharge income	20
Investment Estate - Additional Lease income for car parking land	1,000
Total	1,020

- 6.5 There remains an ongoing risk in relation to the operational and investment estate budgets, and the Strategic Development service continually look at ways to effectively manage the estate through regular reviews of rents, leases and service charges whilst maximising occupancy.

7. Capital Strategy / Programme

- 7.1 The capital programme for Strategic Development totals £651.7m over the period 2018/19 -2023/24, this includes the Cultural programme, the Town Hall refurbishment, funding to support the Council's corporate estate, regeneration funding, and private sector housing. A summary of the current capital budget is shown in the table below, with the detailed projects shown in appendix 2:

	2018/19 £m's	2019/20 £m's	2020/21 £m's	2021/22 £m's	Future £m's	Total £m's
Culture	27.6	59.6	37.9	1.7	0.0	126.8
Our Town Hall	11.6	26.5	73.2	107.8	82.3	301.4
Corporate Estates	72.5	41.1	24.2	12.6	0.0	150.4
Development	43.8	20.9	8.4	0.0	0.0	73.1
Private Sector Housing	25.3	26.6	29.1	8.2	7.5	96.7
Total	180.8	174.7	172.8	130.3	89.8	748.4

- 7.2 During 2018/19 work has progressed on the Factory cultural venue, particularly in regard to design and acquisition of land, and this will continue prior to the build programme commencing. The design team for the Town Hall project have been appointed, and the procurement of the management contractor is progressing.
- 7.3 The rolling Asset Management Plan has been ongoing, and the Council has acquired a number of strategic sites including the Spire hospital site. The

refurbishment of Heron House is well underway and tenants are expected to move in during 2019/20, and the wider Estates Transformation plan has progressed with proposals brought forward for the refurbishment of Hulme District Office and Alexandra House, to support the corporate estate.

- 7.4 Design works for the Civic Quarter Heat Network, including resolution of legal issues regarding the structure of the finance model, have progressed and it is expected that construction will commence in 2019/20. The expansion of the City's digital base at One Central Park is ongoing.
- 7.5 Within Private Sector Housing, work on the Extra Care programme has continued, as has the regeneration project at Ben Street. Providing adaptations work through the Disabled Facilities Grant has also been ongoing. Proposals to bring into use empty houses and to provide accommodation for homeless families are being developed.

8. Other Considerations

- 8.1 It should be noted that any changes proposed from business plans may require public consultation depending on their nature and impact on services. There remains a statutory requirement to consult business rate payers each year as part of the budget setting process.
- 8.2 The business plans submitted to Executive and Scrutiny Committees in February will include a full description of consultation and conversation with partners and other stakeholders that have taken place to develop the budget proposals, as well as the potential impact of proposals on different communities in Manchester and outcomes of equality analysis carried out and future Equality Impact Assessments required. Workforce implications will also be considered, including any required reduction in budgeted posts as well as strategic workforce development objectives for the Directorate.

Appendix 1 - Strategic Development Revenue Financial Plan

Subjective Heading	2018-2019 Budget £'000	2019-2020 Indicative Budget £'000
Expenditure:		
Employees	22,233	22,233
Running Expenses	38,556	38,556
Capital Financing Costs	237	237
Contribution to reserves	62	62
Total Subjective Expenditure	61,088	61,088
Less:		
Other Internal sales	(7,164)	(7,184)
Gross Expenditure	53,924	53,904
Income:		
Government Grants	(10,328)	(10,328)
Contributions from Reserves	(6,383)	(6,383)
Other Grants Reimbursements and Contributions	(152)	(152)
Customer and Client Receipts	(29,651)	(31,351)
Other Income		
Net Budget Strategic Development	7,410	5,690

	Approved MTFP						
Service Area	18/19 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	19/20 Net Budget £'000	19/20 Identified pressures £'000	19/20 Recovery proposals £'000	Proposed 19/20 Net Budget £'000
Operational Property	7,100			7,100			7,100
Facilities Management	9,065			9,065			9,065
Investment Estate	(12,290)	(700)		(12,990)		(1,000)	(13,990)
Strategic Development	323			323			323
City Centre Regeneration	425			425			425
Housing & Residential Growth	1,577			1,577			1,577
Planning, Building Control & Licensing	(513)			(513)		(20)	(533)
Work and Skills	1,723			1,723			1,723
MAES	0			0			0
Our Town Hall	0			0			0
Total Strategic Development	7,410	(700)	0	6,710	0	(1,020)	5,690

Appendix 2 - Capital Strategy / Programme table

Project Name	18/19 £000's	19/20 £000's	20/21 £000's	21/22 £000's	Future £000's	Total £000's
Cultural Programme						
First Street Cultural Facility	12	0	0	0	0	12
The Factory (Build)	24,509	58,209	37,900	1,734	0	122,352
The Factory (Public Realm)	3,025	1,425	0	0	0	4,450
Town Hall Refurbishment Programme						
Our Town Hall refurbishment	11,565	26,520	73,198	107,834	82,276	301,393
Corporate Estates Programme						
Asset Management Programme	16,166	7,110	7,100	6,690	0	37,066
Strategic Acquisitions Programme	15,914	3,000	3,000	3,000	0	24,914
Town Hall Complex Transformation Programme	67	0	0	0	0	67
Hammerstone Road Depot	1,075	6,940	6,940	7	0	14,962
Heron House	14,380	0	0	0	0	14,380
Registrars	1,400	0	0	0	0	1,400
Carbon Reduction Programme	100	9,790	0	0	0	9,890
Civic Quarter Heat Network	15,000	9,000	2,000	0	0	26,000
Lincoln Square	0	0	1,200	0	0	1,200
Brazennose House	678	0	0	0	0	678
Estates Transformation	0	215	0	585	0	800
Estates Transformation - Hulme District Office	4,680	234	0	0	0	4,914
Estates Transformation - Alexandra House	885	4,790	4,000	2,325	0	12,000
Ross Place Refurbishment	2,120	0	0	0	0	2,120
Development Programme						
The Space Project - Phase 2	1,085	0	0	0	0	1,085
The Sharp Project	600	0	0	0	0	600
Digital Asset Base - One Central Park	9,443	620	0	0	0	10,063
Sustaining Key Initiatives	0	5,200	8,400	0	0	13,600
New Smithfield Market	32	468	0	0	0	500
Beswick Community Hub - Highway and Public Realm	2	0	0	0	0	2
Eastern Gateway - Central Retail Park	1,312	2,000	0	0	0	3,312
Eastern Gateway - New Islington Marina	4,036	1,081	15	0	0	5,132
Hall and Rogers	346	0	0	0	0	346
Collyhurst Police Station liabilities	844	0	0	0	0	844
Northern Gateway	15,000	10,000	0	0	0	25,000
Hulme Hall Rd Lighting	39	0	0	0	0	39
ST Peter's Square	602	400	0	0	0	1,002
Medieval Quarter Public Realm	862	1,126	0	0	0	1,988
City Labs 2	3,675	0	0	0	0	3,675
Airport City Power Infrastructure (EZ)	2,440	0	0	0	0	2,440
Digital Business Incubators	3,500	0	0	0	0	3,500

Project Name	18/19 £000's	19/20 £000's	20/21 £000's	21/22 £000's	Future £000's	Total £000's
Private Sector Housing Programme						
Brunswick PFI Land Assembly	2,460	1,726	737	0	0	4,923
Collyhurst Regeneration	10	678	4,265	0	0	4,953
Collyhurst Environmentals	30	97	0	0	0	127
Site Investigation and Early Works HIF Pilot Sites	286	141	155	0	0	582
Miles Platting PFI Land Assembly	210	677	0	0	0	887
Disabled Facilities Grant	7,184	7,929	6,200	6,200	0	27,513
Toxteth St CPO & environmental works	73	141	0	0	0	214
Bell Crescent CPO	0	482	0	0	0	482
HCA Empty Homes Cluster Phase 2	90	801	891	0	0	1,782
Empty Homes Scheme (Adactus)	2,000	0	0	0	0	2,000
Redrow Development Phase 2 onward	300	0	0	0	0	300
West Gorton Compensation	0	4	0	0	0	4
West Gorton Ph 2A Demolition & Commercial Acquisitions	10	490	904	0	0	1,404
Armitage Nursery & Community Facility	1,215	2,160	0	0	0	3,375
HMRf	56	50	40	0	0	146
Collyhurst Acquisition & Demolition	5	661	0	0	0	666
Extra Care	3,555	2,445	0	0	0	6,000
Moston Lane Acquisitions	0	0	0	0	7,500	7,500
Equity Loans	0	0	397	0	0	397
West Gorton Community Park	514	1,336	0	0	0	1,850
Ben St. Regeneration	5,574	556	6,877	0	0	13,007
Homelessness	1,540	3,460	0	0	0	5,000
Marginal Viability Fund - New Victoria	0	1,827	6,263	1,984	0	10,074
Marginal Viability Fund - Bowes Street	0	929	2,385	0	0	3,314
Rent to Purchase	203	0	0	0	0	203
Total Strategic Development Programme	180,709	174,718	172,867	130,359	89,776	748,429

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**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee –
6 December 2018

Subject: Setting of the Council Tax Base and Business Rates Shares for
Budget Setting Purposes.

Report of: The City Treasurer

Summary

To advise on the method of calculating the City Council's Council Tax base for tax setting purposes and Business Rates income for budget setting purposes for the 2019/20 financial year, together with the timing of related payments and the decision on pool membership. The Chair of the Committee will be requested to exempt various key decisions from call in.

Recommendations

Members are asked to:

1. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to set the Council Tax base for tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2013.
2. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to calculate the Business Rates income for budget setting purposes in accordance with the Non-Domestic Rating (Rates Retention) Regulations.
3. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated council tax surplus or deficit for 2018/19.
4. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated business rates surplus or deficit for 2018/19.
5. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to determine whether the Council should be part of a business rate pooling arrangements with other local authorities.
6. Note that the City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to set the dates of precept payments to the Greater Manchester Combined Authority.

7. Note that the Chair of the Scrutiny Committee will be requested to exempt various key decisions from the call in procedures.
-

Wards Affected:

All wards

Contact Officers:

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Position: City Treasurer
Telephone: 0161 234 3406
E-mail: c.culley@manchester.gov.uk

Background documents (available for public inspection):

- The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- The Non Domestic Rating (Rates Retention) Regulations 2013.
- The Non-Domestic Rating (Rates Retention) (Amendment) Regulations 2014.
- The Non-Domestic Rating (Rates Retention) (Amendment) Regulations 2016.
- The Non-Domestic Rating (Rates Retention) and (Levy and Safety Net) (Amendment) Regulations 2017.
- The Non-Domestic Rating (Rates Retention) and (Levy and Safety Net) (Amendment) Regulations 2018.

1. Introduction to Setting of Council Tax Base

- 1.1 Section 31B of the Local Government Finance Act 1992, the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, and amendments introduced by the Local Government Finance Act 2012, require the Council to calculate its tax base for tax setting purposes. This calculation has to be based on data available at 30 November 2018 and the decision must be made between 1 December 2018 and 31 January 2019. The City Council has to notify the precepting authorities of its calculation for 2019/20 by 31 January 2019.
- 1.2 If the calculation has not been agreed by 31 January 2019 the regulations provide that the responsibility for calculating the council's tax base transfers to the precepting authority. They must calculate the tax base on behalf of the City Council, and themselves, on the basis of all the information available. This information will include any recommendations of the City Treasurer; it will also include any amount calculated by the Secretary of State for the purposes of distribution of Government funding.

2. Basis of Calculation of Tax Base

- 2.1 The calculation of the amount of the council tax base is, in essence, the number of dwellings in an area belonging to each valuation band, modified to take account of the proportion of Band D applying to dwellings in each band. This is then adjusted to take account of discounts for disabled occupants, single occupiers and students, increases due to the application of the empty homes premium, reduced amounts payable for exempt dwellings as well as reductions in accordance with the council tax reductions scheme. This is further adjusted by the proportion of the council tax for the year which the Council expects to be able to collect.
- 2.2 The adjusted numbers of properties in each of the eight valuation bands A to H are expressed as numbers of Band D equivalents so they may be added to produce a single figure (e.g. A = 0.6667D; H = 2D).
- 2.3 The statutory timescale for undertaking the tax base calculation means that the tax base calculation for 2019/20 is based on information that will be more than three months out of date at the time that the bills are issued. Whilst this would not be a problem for most authorities the fluctuating numbers of students and the high turnover of population in Manchester make it difficult to predict how many properties will be exempt, empty or occupied by a single person etc on 1 April 2019 and during the following financial year. This is made more difficult with the inclusion of the Council Tax Support Scheme within the calculation. The figures on which the tax base will be calculated will represent a 'best estimate'.
- 2.4 Prior to the introduction of the Council Tax Support Scheme on 1 April 2013 council tax benefit was classed as income within the Collection Fund and had no effect on the council tax base calculation. The council tax base calculation

now takes account of an estimate of the amount of council tax reductions granted.

- 2.5 The Council Tax Support Scheme, sets the maximum level of council tax support for working age households at 82.5% of council tax due.
- 2.6 The tax base calculation will incorporate assumptions about the potential changes in the following, between 30 November 2018 and 31 March 2020:
 - New properties;
 - Properties that are demolished;
 - Exempt properties (including all-student households);
 - Disabled Relief;
 - Single Person Discounts;
 - Empty properties; and
 - Council tax support scheme claimants.
- 2.7 The council tax base for 2018/19 was estimated at 112,965 Band D equivalents. For 2019/20 the budget planning assumption is that the council tax base will increase which will generate increased revenue for the Council. These assumptions will be validated when the tax base is recalculated.
- 2.8 The calculation uses information to November 2018, and is finalised during December 2018 to support the key decision required. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the tax base for council tax setting purposes.

3. Basis of Calculation of Business Rates Base

- 3.1 Since 2017/18 Manchester has been part of the Greater Manchester business rates retention pilot which means that 99% of yield will be retained by the Council and 1% paid to the Greater Manchester Combined Authority, (for the Fire and Rescue element).
- 3.2 The retained business rates income is subject to a safety net and Greater Manchester authorities are protected at 97% of their baseline funding level compared to business rate income, Section 31 grant and any tariff or top up payments. This change in funding has brought a higher level of uncertainty in Council resources and had implications for how the budget is set.
- 3.3 The starting point for the calculation is the estimate of gross business rates payable by business ratepayers in 2019/20. This includes an estimate in the change in rates payable due to businesses added to or removed from the rating list during the year. This is adjusted by the estimated cost of mandatory reliefs including the net cost of small business rate relief and costs of reliefs to charities, community and amateur sports clubs, partly occupied premises and empty premises. It is further adjusted by discretionary reliefs including the cost of relief to charities, non- profit making bodies and reliefs funded by a Section

31 grant. This gross rate yield after reliefs is then reduced by the estimate of losses in collection and the allowance for the costs of collection.

- 3.4 In addition estimates are made for the effect of appeals against rateable values affecting income due up to 31 March 2020.
- 3.5 In estimating business rates growth potential additions and removals to the rating list will be looked at for the financial year. This will include intelligence gleaned from planning applications. The effect of appeals on the rating list will be a best estimate using known outstanding appeals, an estimate of future appeals expected to be received affecting 2019/20 income, any knock on effects of known appeals and percentage rates based on the effects of the settlements of historic appeals. Changes in the rating list for the enterprise zone are considered separately.
- 3.6 The Non-Domestic Rating (Rates Retention) Regulations require that the Council estimates the shares of business rate income for 2019/20 and notifies Central Government and the Greater Manchester Combined Authority of these amounts by 31 January 2019.
- 3.7 Due to the timescale for the receipt of the information required and the requirement to notify Central Government and the Greater Manchester Combined Authority by 31 January 2019 there will be a request to the Committee Chair to exempt the decision from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated business rates income for budget setting purposes.

4. Council Tax Surplus / Deficit

- 4.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to council taxes. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities
- 4.2 The City Council has to notify the precepting authorities (Police and Fire elements of the Greater Manchester Combined Authority), of its estimated Collection Fund surplus or deficit by 15 January 2019.
- 4.3 Due to the requirement to use the most up to date information (i.e. end of December 2018) and to notify precepting authorities by 15 January 2019 there will be a request to the Committee Chair to exempt the decision from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated surplus or deficit.

5. Business Rates Surplus / Deficit

- 5.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to business rates. Any such estimated surplus or deficit is shared between the billing authority and the Greater Manchester Combined Authority.
- 5.2 The City Council has to inform Central Government and the Greater Manchester Combined Authority by 31 January 2019 its forecast Business Rates Collection Fund surplus or deficit.
- 5.3 Due to the requirement to use the most up to date information (i.e. end of December 2018) and to notify Central Government and the Combined Authority by 31 January 2019 there will be a request to the Committee Chair to exempt the decision from call in. The City Treasurer, in consultation with the Executive Member for Finance and Human Resources has delegated powers to agree the estimated business rates surplus or deficit.

6. Pooling of Business Rates

- 6.1 2018/19 is the fourth year that Manchester has participated in a business rates pool, the previous membership was the authorities within Greater Manchester, Cheshire East and Cheshire West and Chester. We are awaiting confirmation if Cheshire East will again participate as a member of the GM Pool or partake in the 75% retention pilot, as a sole applicant. Each authority will need to make a decision on whether it wishes to be part of the pool for 2019/20 within 28 days of the provisional Local Government Finance Settlement due to be announced on 6 December. The purpose of pooling rates across the individual authorities is not intended to alter individual authorities income levels but to retain any levy that might be payable by certain of the authorities to Central Government. If any of the authorities, which have expressed an interest so far, including Cheshire East decide to withdraw from the pool then the proposed pool will dissolve for the 2019/20 financial year. The willing remaining authorities would then have the opportunity to create a new pool.
- 6.2 It is anticipated that Manchester will continue to administer the pool.
- 6.3 The decision on whether Manchester City Council should continue to be part of the pooling arrangement is delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources.

7. Timing of Payments

- 7.1 Payment dates for the share of Council Tax payable to the Greater Manchester Combined Authority have to be agreed and notified before 31 January 2019. In previous years this has been the 23rd day of each month. This has been changed to the 20th day of each month for 2019/20.

- 7.2 The Non-Domestic Rating (Rates Retention) Regulations state that the Council should make payments of business rates shares in accordance with the schedule of instalments. There is an option to agree different dates with the Greater Manchester Combined Authority.
- 7.3 The dates agreed with the Greater Manchester Combined Authority for 2018/19 were the 23rd day of each month. This has been changed to the 20th day of each month for 2019/20.
- 7.4 In 2017/18 and 2018/19 Manchester has been responsible for administering the payments and receipts of top up and tariffs to members of the Greater Manchester and Cheshire Business Rates Pool. MHCLG made top up payments to Manchester in line with the dates in the schedule of instalments and Manchester distributed to the top up authorities on the same dates. Manchester also received tariff payments from the tariff authorities on the same date, thus avoiding investment implications. On the assumption that Manchester administers the pool in 2019/20 it is expected the payment arrangements will remain the same.

8. Recommendation

- 8.1 The recommendations appear at the front of this report.

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Manchester City Council Report for Resolution

Report to: Resources and Governance Scrutiny Committee, 6 December 2018
Executive, 12 December 2018

Subject: Proposed Changes to Council charges levied on empty properties

Report of: City Treasurer

Summary

In November 2018, the Government introduced powers for Councils to charge increased Council Tax Premiums for long term empty (LTE) properties that have been unoccupied and unfurnished for over two years. These powers extend the existing 50% premium introduced in April 2013.

These powers would allow Councils to charge progressively higher rates of Council Tax for properties that are unoccupied and unfurnished for more than two years, five years and ten years. This report proposes the Council adopt the new powers.

The report also revisits the decisions made in 2012 to give a 100% Council Tax discount for one month if a property is unoccupied and unfurnished and a 50% discount for up to 12 months if a property is undergoing major works or structural alterations. The report proposes that the Council remove these discounts.

Recommendations

1. Scrutiny Committee is requested to consider and comment upon the contents of the report.
 2. Executive is requested to;
 - i Approve the proposals contained in the report and agree to the start of a formal 4 week consultation exercise to commence in December 2018.
 - ii Note that the outcome of the consultation will be reported back to Executive on 13 February 2018.
-

Wards Affected: All

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	n/a
A highly skilled city: world class and home grown talent sustaining the city's economic success	n/a
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Where possible the proposals have been considered to ensure that they do not have a negative impact on the transition into work or maintaining employment
A liveable and low carbon city: a destination of choice to live, visit, work	The changes to Council Tax discounts and will have an impact on the city's property market, as by charging for empty homes and premiums for long term empties it is aimed that properties will be let and occupied promptly.
A connected city: world class infrastructure and connectivity to drive growth	n/a

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Based on current figures and assuming there are no changes to the numbers of unoccupied properties and the periods they have been unoccupied, the three proposed changes could bring in increased revenue as follows:

- Changes to the Long Term Empty premium - £575,500. However, as owners change the status of their property (to occupied or furnished unoccupied) to mitigate exposure to higher Council Tax, this will reduce. A more prudent estimate would be £195,700. However this would be offset by an increase in the New Homes Bonus currently paid by central government.
- Removing the 100% discount for the first month a property is left unoccupied and unfurnished - £635,000

- Removing the 50% discount for properties undergoing major repairs or structural changes - £166,745
- Total revenue implications - Between £997,445 and £1,455,595 depending on the extent of behavioural change.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

- Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018
- <https://services.parliament.uk/bills/2017-19/ratingpropertyincommonoccupationandcounciltaxemptydwellings.html>
- Report to Finance Overview and Scrutiny Committee on 6 September 2012 and Report to the Executive Committee on 12 September
- Report to Finance Overview and Scrutiny Committee on 10 January 2013 and Report to the Executive Committee on 16 January 2013.

1. Introduction

This report outlines legislation introduced by Central Government in November 2018 that gives councils the power to increase the amount of Council Tax that can be charged for unfurnished properties that have been unoccupied for more than two years.

It also proposes that two other Council Tax discounts for empty properties should also be changed (these are within our long-standing powers):

1. The 100% discount for one month when a property first becomes unoccupied and unfurnished is still appropriate.
2. The 50% discount for up to 12 months when a property is undergoing major repairs or structural changes.

The rationale for these changes is that reducing discounts will act as an incentive for owners to bring domestic properties back into occupation and will increase revenue to the Council.

2. Background

In January 2013, the Council considered new powers within the Council Tax legislation and agreed to adopt the current system of Council Tax discounts and premiums for unoccupied properties from 1 April 2013. These included:

- A 50% LTE premium to be charged on properties that have been unoccupied and unfurnished for more than two years (this meant that the liable owner would pay 150% of the normal rate of Council Tax while the property remained unoccupied and unfurnished)
- A 100% discount for the first month that a property is unoccupied and unfurnished.
- A 50% discount for up to 12 months when a property is undergoing major repairs and/or structural alterations.

These are set out in the table below.

	First year			Second year	More than 2 years
	0 - 1 month	1 - 6 months	6 - 12 months		
Major repairs/ structural alterations	----- 50% ----- >			--- 100%--- >	--- 150% --- >
Unoccupied and unfurnished	-- nil -- >	-- 100% -- >	-----100%----- ---- >		---- 150% --

Properties that are unoccupied and furnished (usually second homes and furnished rental properties temporarily empty between tenants) currently receive no discount and owners are liable to pay 100% of the Council Tax from the moment it becomes empty. The Council has no powers to introduce a LTE premium for these properties.

The stated purpose of the introduction of the 50% premium was to encourage owners to bring their properties back into use, increasing the supply of housing.

This appears to have worked. In September 2012 there were 1,300 properties that would have attracted LTE premium, currently there are 483. However, there are other factors which may have contributed to the decrease which are outlined in the remainder of this document.

3. Government Proposals

In the 2017 Budget, the Government announced their intention to allow Councils to increase the LTE premium to 100% so that owners would be charged 200% of the Council Tax for properties that had been unoccupied and unfurnished for more than two years.

This was subsequently amended and the revised proposal was included in the Rating (Property in Common Occupation) and Council Tax (Empty Property Bill) Act 2018 which received Royal Assent on 1 November 2018. The Act gives Council's discretion to apply increased LTE Premiums on unoccupied and unfurnished properties as follows:

- unoccupied for more than two years - 100% premium from 1 April 2019 (so the owner would pay 200% of the normal Council Tax).
- unoccupied for more than five years - 200% from 1 April 2020 (so the owner would pay 300% of the normal Council Tax).
- unoccupied for more than 10 years - 300% from 1 April 2021 (so the owner would pay 400% of the normal Council Tax).

Exemptions to these increased charges set out by the Government include homes that are unoccupied due to the occupant living in armed forces accommodation for job-related purposes and annexes being used as part of the main property.

The stated purpose of offering these wider powers to Councils is to further encourage owners of long term unoccupied properties to find ways to bring them back in to use. These powers are not specifically designed to increase revenue.

4. Financial Impact of the revised long term empty premium

The changes as proposed would have an impact on the amount of Council Tax payable and the New Homes Bonus.

4.1 Long term unoccupied and unfurnished property premiums

There are currently 483 properties in the city that have been unoccupied and unfurnished for more than two years. However, 107 of these properties are owned by the Council and are being held unoccupied for a variety of reasons. Increasing the LTE premium on these properties will not generate any extra income.

The table below shows the expected income from LTE properties once all the proposed increases have been introduced by 2021. It excludes Council owned properties and makes the following assumptions: All properties are in band A and have a Council Tax liability of £1050 (2018/19 figure); there is no decrease in the number of LTE properties; and 100% of the liability is collected.

unoccupied period	Number of properties	Council Tax liability
2 to 5 years (new scheme)	148	£310,800
5 to 10 years (new scheme)	96	£302,400
10 or more years (new scheme)	132	£554,500
Total (new scheme)	376	£1,167,700
Over two years (current scheme)	376	£592,200

The total increase in potential revenue assuming there are no changes to the numbers or spread of unoccupied properties between bands and excluding the revenue from Council owned properties is £575,500 using the current year's Council Tax charge. However, it is virtually certain that the number of LTE properties will continue to fall as owners bring them back into use or adopt contrivance and evasion techniques to minimise their exposure to the higher Council Tax.

A more prudent estimate of increased revenue would assume a collection rate of 93.2% (2017/18 collection rate) and a significantly reduced number of properties in each band, especially those properties unoccupied and unfurnished for more than ten years. In the short term, based on 350 properties being unoccupied and unfurnished

and a 93.2% collection rate, around £171,200 additional revenue will be generated in 2019/20.

The table below shows the increased revenue once all the LTE premiums have been introduced and where the number of LTE properties has further reduced to 180.

unoccupied period	Number of properties	Council Tax liability	Revenue with 93.2% collection
2 to 5 years (new scheme)	100	£210,000	£195,700
5 to 10 years (new scheme)	50	£157,500	£146,800
10 or more years (new scheme)	30	£126,000	£117,400
Total (new scheme)	180	£493,500	£459,900
Over two years (current scheme)	180	£283,500	£264,200

4.2 New Homes Bonus (NHB)

The New Homes Bonus is a Government scheme to encourage Councils to increase the supply of housing in their area. This can either be done by building new homes which are then occupied or bringing unoccupied and unfurnished homes back into use. Reward is received for the 'Band D equivalent' number of houses brought into use above the national baseline (a threshold of 0.4% in 2018/19). The in year reward grant is equivalent to the national average Council Tax in England for each applicable property. The total grant is made up of the current year allocation plus three legacy years.

A consultation is expected on the future of New Homes Bonus from 2020/21, it seems likely it will be replaced with a new scheme aiming to incentivise plans that meet or exceed local housing need.

This means that if introducing the Government's changes to the LTE premium reduces the number of LTE properties as set out in the table above, the Council will benefit significantly (assuming the average Council Tax is £1,150 pa and the 0.4% national baseline threshold has already been met) so long as the NHB is paid.

Properties back into use	Annual NHB	Total NHB
76	£87,400	£349,600
132	£151,800	£607,200
188	£216,200	£864,800

5. Removing the 100% Council Tax discount that is awarded for up to one month when a property becomes unoccupied and unfurnished

5.1 Background

In 2013 the Council agreed to offer a Council Tax discount of 100% for up to one month when a property initially becomes unoccupied and unfurnished. This was designed to give landlords a window of opportunity to do whatever refurbishment may be necessary between tenants as well as a little bit of time to find a new tenant.

This discount is for a total of one month and does not begin again on change of ownership. To qualify for a further one month the property in question would need to have been occupied for 42 days. This causes some confusion.

5.2 Financial Impact of removing the discount

In 2017/18, this discount was awarded on 9,086 occasions for an average of around 15 days each time. If this discount had not been awarded, an additional £635,000 of Council Tax would have been collected. The average additional amount that they would have to pay would have been £46.

5.3 Other considerations

As well as increasing revenue, removing this discount would reduce the burden of work on staff and simplify the scheme. It would also end arguments where a new tenant thought they should be entitled, only to find that the previous tenant had already claimed the discount. There will be an increase in small debts that will have to be recovered from private landlords, owners and tenants, but this will normally be done as part of the automated recovery process.

Unoccupied unfurnished properties owned by Registered Social Landlords would not be affected if this discount was withdrawn as they qualify for a separate 100% discount due to their charitable status. However, some registered providers give tenants overlapping tenancies when they move from one RSL property to another. Under these circumstances, tenants would be left with a small liability at one property or the other which would not be eligible for Council Tax Support.

Given the Council's financial situation, it is unable to subsidise Council Tax payers, usually owners, who leave a property unoccupied and unfurnished for short periods. Again, removing this discount would act as an incentive to bring properties back into occupation as soon as possible.

6. Removing the Council Tax discount of 50% that is awarded for up to one year when a property is undergoing major repairs or structural alterations

In 2012 the Council agreed to offer a 50% discount for up to one year where a property was undergoing major repairs or structural changes that met specified criteria that is covered within the existing Council Tax legislation.

6.1 Impact of removing the discount

In 2017/18 the discount was awarded on 844 occasions for an average of 114 days on each occasion. If the discount had not been awarded an additional £166,745 of Council Tax would have been charged. The average additional amount each liable person would have had to pay would have been £197.

6.2 Other considerations

As well as increasing revenue, removing this discount would reduce the workload of staff as the process of requesting supporting evidence and subsequent arguments over eligibility are time consuming as the burden of proof in terms of what constitutes major repairs and structural alterations is technical and open to interpretation. This often requires visits to the property and repeated engagement with the liable person.

Given the Council's financial position, it is unable to subsidise owners who are improving their property that, in turn, will increase in value.

7. Other exemptions

There are a range of other unoccupied property exemptions from Council Tax available, including when a person has died and probate is being requested.

A full list of these exemptions is contained in appendix 2.

8. Other GM authorities

8.1 New Long Term unoccupied premiums

Most other GM authorities and core cities are considering whether to adopt the Government's' new discretionary powers for long term unoccupied properties.

8.2 Discount for newly unoccupied and unfurnished properties

There is a range of approaches to properties that become unoccupied and unfurnished amongst other GM Authorities. These goes from a 100% discount for up to three months to no discount at all.

8.3 Discount for properties undergoing major works or structural changes

Again, there is a range of approaches from other GM Authorities ranging from no discount at all (Bolton, Tameside) up to 100% discount for 12 months (Trafford).

9. Consultation

This report is recommending an external four week consultation exercise. The results and appraisal of the consultation responses along with the final proposals will be bought back for comment by the Resources and Governance Scrutiny Committee and for approval by the Executive at a future meeting.

10. Proposals

That the Council uses its discretion to:

Increase the amount of Council Tax that is charged for unoccupied and unfurnished properties by charging an additional premium

- From 1 April 2019, increase the existing 50% LTE premium to 100% (so the owner would pay 200% of the standard Council Tax).
- From 1 April 2020, introduce the 200% premium for properties that have been unoccupied and unfurnished for more than five years (so the owner would pay 300% of the standard Council Tax).
- From 1 April 2021, introduce the 300% premium for properties that have been unoccupied and unfurnished for more than ten years (so the owner would pay 400% of the standard Council Tax).

That the Council changes its existing policy and removes the following Council tax discounts

1. Remove the existing 100% Council Tax discount that is awarded to unoccupied and unfurnished properties for up to a month.
This means that 100% of the Council Tax due will be charged for any unoccupied and unfurnished property that does not meet the requirements of the statutory exemption class for unoccupied properties.
2. Remove the existing 50% Council Tax discount that is awarded for up to one year when a property is undergoing major repairs or structural alterations

11. Equality Impact Assessments

The requirements of Section 149 of the Equality Act state that public bodies must have due regard to the need to:

- i. Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act.
- ii. Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- iii. Foster good relations between people who share a protected characteristic and people who do not share it.

The Council is undertaking an Equality Impact Assessment of the proposals. The assessment will consider in detail what impact the proposals could have on the protected characteristics: age, disability, gender reassignment, pregnancy, maternity, race, religion or belief, sex and sexual orientation.

Outcomes from the consultation will be reported to the Executive on 13 February 2019 for a decision and will be accompanied by the equality impact assessment.

12. Key Policies and Considerations

12.1 Risk Management

Risk management will be considered once the results of the consultation are received and analysed.

12.2 Legal Considerations

Legal advice recommended that consultation is undertaken on this change as people will be worse off due to their increased Council Tax liability.

13. Conclusions

The introduction of the 50% LTE premium in April 2013 has resulted in behavioural change by property owners that has seen a significant drop in the number of LTE properties in the city and increased the supply of available housing. This has been achieved at a faster rate than if there had been no 50% premium.

The new proposals build on these changes and provide the opportunity to charge additional premiums. Considering the benefit of bringing LTE properties back into use and the additional revenue implications, these powers should be adopted.

It is right to review the one month unoccupied property discount and the major works discount in the light of the Council's financial situation.

14. Recommendations

1. Scrutiny Committee is requested to consider and comment upon the contents of the report.
2. Executive is requested to;
 - i Approve the proposals contained in the report and agree to the start of a formal consultation exercise to take place between December 2018 and January 2019.
 - ii Note that the outcome of the consultation will be reported back to Executive in February.

Appendix 1 - unoccupied property exemptions

The following table shows details of all other exemption codes pertaining to unoccupied properties and the numbers of each type in the city at 1 April 2018.

Exemption class	Description	Period	Numbers
B	Unoccupied, owned by charity	No time limit	410
D	Due to person being in prison	No time limit	34
E	Person gone to live in care home	No time limit	158
F	Council Tax payer deceased	No time limit	810
G	Occupation prohibited by law	No time limit	309
H	Dwelling held for minister of religion	No time limit	14
I	Person living elsewhere to receive personal care	No time limit	30
J	Person living elsewhere to provide personal care	No time limit	5
K	Dwelling left empty by a student	No time limit	0
L	Mortgagee in possession (Reposessed property)	No time limit	41
Q	Left empty by bankrupt person Where liability rests with trustee	No time limit	5
R	Caravan pitches or boat moorings not in use	No time limit	20
T	Unoccupied annex to an occupied dwelling that cannot be let separately	No time limit	5