



Resources and Governance Scrutiny Committee

Date: Thursday, 10 January 2019

Time: 2.00 pm

Venue: Council Antechamber, Level 2, Town Hall Extension

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

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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

Supplementary Agenda

- 4. Minutes** 3 - 14
To approve the Minutes of the meeting held on 6 December 2018.
- 5. Financial Settlement 2019/20** 15 - 22
Report of the City Treasurer
- This report provides an overview of the Provisional Local Government Finance Settlement 2019/20 as announced by the Communities Secretary and published by the Ministry of Housing, Communities and Local Government on 13 December 2018.
- 6. Management of staff performance and misconduct** 23 - 30
Report of the Director HROD
- This report provides an overview of employment casework in respect of the Council's disciplinary and capability policies. The report provides case numbers, key issues and trends and the work of HROD to support managers and improve capacity.

Further Information

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

Michael Williamson
Tel: 0161 2343071
Email: m.williamson@manchester.gov.uk

This supplementary agenda was issued on **Friday, 4 January 2019** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street), Manchester M60 2LA

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Thursday, 6 December 2018

Present:

Councillor Russell (Chair) – in the Chair
 Councillors Ahmed Ali, Andrews, Barrett, Clay, Davies, Lanchbury, Kilpatrick, R Moore, B Priest, Rowles, A Simcock, Watson and S Wheeler

Also present:

Councillor N Murphy - Deputy Leader
 Councillor Ollerhead - Executive Member for Finance and Human Resources

RGSC/18/64 Minutes

The minutes of the meeting held on 8 November 2018 were agreed as a correct record.

RGSC/18/65 The Chancellor's Autumn Statement - implications for Manchester

The Committee considered a report of the City Treasurer, which provided 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.

Officers referred to the main points and themes within the report which included:-

- The 2018 Autumn Budget set out an improved economic forecast and indicative increased public sector spending over the next five years;
- Government expenditure was 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%);
- The 2019 Spending Review would decide on the balance of funding between government departments, however, it was already clear that much of the additional spend would be directed to the NHS, with spending in other departments likely to remain flat or decline;
- 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;
- There were announcements for additional Local Government funding this financial year and next. Whilst welcome, they were small and 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;
- Specific allocations announced and the associated funding for Manchester which included:

- a further £240m in 2019/20 for adult social care which equated to £2.667m for each year for Manchester - this followed 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 was £4.555m;
- £420m in 2018/19 for potholes that would be allocated directly to highways authorities and must be spent prior to 31 March 2019. The allocation for Manchester was £1.686m;
- £55m for Disabled Facilities Grant in 2018-19, of which the estimate was £0.814m for Manchester. This was generally a capital grant; and
- Other national funding was being made available for the following areas:
 - £84m for 5 years on the children's service programme in 20 areas from 2019/20;
 - £675m Future High Streets Fund in 2019-20 to support local areas to improve access to high streets and town centres; and
 - £10m capacity funding made available to support housing deals with authorities in areas of high housing demand to deliver above their Local Housing Need.

Some of the key points that arose from the Committees discussions were:-

- Was there an update on what the proposals were for the pooling of the Council and MHCC budgets as part of the Better Care Fund;
- It was felt that there needed to be appropriate scrutiny of welfare reforms and Universal Credit and the impact that this were having on the city and the Council; and
- Reassurance was sought that where there were time limits on the spending of certain funding, such as within Highways, work was being undertaken to ensure that this money was being spent within the required timeframe.

The City Treasurer advised that the proposed joint pooling of budgets between the Council and MHCC had now been agreed and was in the main to be used for covering additional winter pressure funding to ensure that adult social care pressures did not create additional demand on the NHS. The pooled budget would also be used towards strengthening mental health support and social work capacity.

The Committee was advised that Economy Scrutiny Committee had responsibility for scrutinising the impacts of welfare reform and universal credit on the city and its residents, however, it would be within the remit of this Committee for it to scrutinise the financial impact of welfare reform and Universal Credit to the Council.

The City Treasurer reassured the Committee that were funding had been received which had stipulations for it being spent within a certain time frames, this was taking place and this would be reported as part of the budget process in February 2019.

Decision:

The Committee:-

- (1) Notes the report; and

- (2) Requests that Economy Scrutiny scrutinise the impacts of welfare reform and universal credit on the city and its residents and that members of Resources and Governance Scrutiny Committee be invited to attend the meeting when it does.

RGSC/18/66 Update on Revenue Financial Strategy and Business Plan Process 2019/20

The Committee considered a report of the Chief Executive and City Treasurer which provided an update on the Council's financial position and set out the next steps in the budget process. The report summarised Officer proposals for how the Council could deliver a balanced budget for 2019/20.

In conjunction to the above, the Committee also received and considered the Corporate Core Business Plan and Strategic Development Business Plan for 2019/20, which set out in broad terms the directorates' key priorities, key activities and revenue and capital strategy for 2019/20, which was a refresh of the directorates' Business Plans for 2018/20 in the context of current resources, challenges and opportunities.

Taken together, the report and the directorates' Business Plans illustrated how the directorates would work together and with partners to deliver Our Plan and progress towards the vision set out in the Our Manchester Strategy.

Some of the key points that arose from the Committees discussions were:-

- Based on the additional borrowing the Council was intending to take out, what impact was this expected to have on the future capital revenue finance position;
- Had the confirmation of the New Home Bonus been delayed in light of the delayed announcement of the financial settlement by Government;
- Clarification was sought as to why the pooled budget for Health and Social Care was to be finalised by MHCC after the Council had set its budget.

The City Treasurer advised that the capital financing budget had been set to take account the Council's likely future borrowing requirements and as such its position would be remain constant for the next few years. She also reported that the Funding Strategy had the support of the CCG Governing Body and this now presented a significantly reduced risk to the Council

In relation to the Corporate Core Business Plan, some of the key points that arose from the Committees discussions were:-

- How was Directorate intending on influencing outside of the Council the need reduce greenhouse gas emissions, improve air quality and improve public transport and highways making them more sustainable in light of the severe congestion issues within the city centre;
- Was it felt that it was still possible to reduce demand through reforming services as it didn't appear to have done so far and when Government were continuing to reduce available resources to all public services;

- Had there been any benchmarking exercise with similar authorities in relation to the number of ombudsman complaints upheld;
- Had any impact assessment been undertaken on the Business Rates retention trial monitored to understand its impact on resources;
- There was a need for the Council to recognise the need to invest in its staff in order to achieve the deliverability of doing more for less;
- Clarification was sought as to whether the Council had previously decided to reduce the spend associated with the Essential Car User allowance, whether Social Workers had been excluded from this proposal, and if so, how was the savings target of £450,000 be achieved given that Social Workers would make up the majority of staff currently designated as Essential Car Users;
- How was the Corporate Core transformation savings target of £500,000 intended to be achieved;
- A Member expressed their uncertainty as to whether the current scrutiny structure was appropriate for scrutinising in detail the financial savings of directorate business plans;
- There was a need to remember what staff the Council needed to retain in order to keep the Council running; and
- There was need to ensure that the Council did not squander any potential training budgets, with specific reference to the Apprenticeship Levy

The Deputy Chief Executive advised that the challenges of congestion within the city centre existed as a consequence of the current suite of works being undertaken to improve the flow of traffic around and across the city centre. More broadly, the Council was working with the GMCA to get people to change the mode of transport that they used and as such there was to be more investment in the infrastructure for alternative transport. It was also reported that the Neighbourhood and Environment Scrutiny Committee would be scrutinising the plan for Greater Manchester to tackle Air Quality.

The Deputy Chief Executive acknowledged that reducing demand through reforming services was difficult, but there had been successful examples of this, particularly around health integration and new models of care. She advised that Directorates were now working closer than ever before to be more effective with the resources available to the Council to tackle the challenges.

The Executive Member for Finance and Human Resources recognised the challenge that the Council faced in the need to reduce demand through reform and that in some instances, demand for services had risen. He added that if the Council did not continue to reform its services, it would not be possible to continue providing certain services.

The City Treasurer reassured the Committee that in terms of Business Rates, all changes in government policy had been fully reimbursed through Section 31 grants. The Council monitored its Business Rates income carefully and held a provision and a reserve for risks associated to the level of appeals being received and any associated volatility. The Deputy Chief Executive confirmed that the Council did benchmark Ombudsman complaints with other core cities and would share this information with Committee Members.

The Committee was advised that a detailed analysis was being undertaken around the essential car user allowance which would be concluded by the end of 2018. Recommendations arising from this analysis would be considered following the conclusion of this analysis. In terms of the Corporate Core transformation programme, the directorate was looking at further collaboration of services and reducing the duplication of work in order to achieve its savings target.

The Chair suggested that if Members had concerns as to whether the current scrutiny structure was appropriate for scrutinising in detail the financial savings of directorate business plans, then Members of this Committee may wish to attend other Scrutiny Committees in order to provide a financial focus to the scrutiny of their respective business plans. The City Treasurer also advised that all Committees had visibility of the business plans and milestones to deliver savings in order to monitor progress effectively.

In relation to the Strategic Development Business Plan, some of the key points that arose from the Committees discussions were:-

- Would the challenges in association with the Investment Estate and Operational Estate have any detrimental impact on the voluntary and third sector organisations that delivered social value by their use of Council owned buildings;
- Objection was taken to the categorisation of older people as some of the most vulnerable residents in the city and it was requested that that reference to older people was removed and instead an additional reference should be made to ensuring the Council had an age friendly housing solution for older people;
- Had any consideration been given to using vacant council land for car parking whilst the land was waiting to be developed in order to generate income;
- Was it possible to use some of the reserve set aside should planning fee income reduce be used, be used to ensure the Council's planning compliance function was strengthened;
- Was it possible to increase the advertising revenue; and
- Could a reassurance be given that the Council was not supportive of any advertising that celebrated inappropriate conduct.

The Strategic Director (Development) advised that over the last 12 months, the Council had reviewed its Investment Estate to ensure that it had within this portfolio, assets that genuinely generated long term income for the Council. As part of this process it had revealed assets that had been wrongly categorised, which had resulted in certain assets being moved from this estate to the Operational Estate with the view that they had the potential to provide opportunities for community groups. He also reported that the Council explored every opportunity to maximise its revenue income, but these opportunities needed to be balanced with other considerations, including the views of Ward Councillors.

The Strategic Director (Development) commented that the 20% fee increase in planning applications, it had been agreed that this increase would be ring-fenced to the planning service. The Council was in the process of reviewing its planning service and as part of this review, the issue of planning compliance would be looked at with a view to strengthening.

The Strategic Director (Development) explained that the Council did not own all of the City's advertising estate and was not able to control what was or was not advertised on hoardings that were located on private land. The advertising estate within the Council's control was in a review process, particularly the small format. A decision had been made to bring the advertising estate within Strategic Development to manage collectively and was a significant income into the Investment Estate portfolio. The small format advertising estate was currently managed by JC Decaux and the contract was up for renewal in September 2019. It was anticipated that significantly more income would be generated from the advertising estate from April 2020 onwards. He agreed to look at what degree of influence the Council could have on the appropriateness of adverts as part of the tendering process .

The Committee:-

- (1) welcomes the reports and notes that this is the third year of a three year budget; and
- (2) notes that the Business Plans will be developed further taking the Committee's comments into account, and revised plans will be submitted to the Committee's meeting in February 2019;
- (3) notes that reference to older people being amongst the most vulnerable residents will be removed from the vision for housing solutions and instead an additional reference will be added to ensure the Council had an age friendly housing solution for older people; and
- (4) requests that a report is submitted to a future meeting on how the Council can influence advertisers, as part of the tender process, on the appropriateness adverts when advertising on Council owned land.

RGSC/18/67 Setting of the Council Tax base and Business Rates shares for budget setting purposes

The Committee considered a report of the City Treasurer, which advised of 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 pooled membership.

Some of the key points that arose from the Committees discussions were:-

- What was being done to lobby government on the exemption of student council tax and the ability to charge HMO Landlord business rates to address the volatility of this area; and
- As the Council's retained business rates income was subject to a safety net of 97% of its baseline funding level, did this require the Council to hold a further 3% in contingency reserves.

The City Treasurer provided reassurance that the Council did lobby government and when the Council provides its response to the financial settlement, this would feature heavily as well. She also advised that the Council did not specifically budget for the

additional 3% but the Council was prudent in its budgeting and did make allowance for any business rate appeals.

Decision

The Committee:-

- (1) Notes 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;
 - calculate the Business Rates income for budget setting purposes in accordance with the Non-Domestic Rating (Rates Retention) Regulations;
 - agree the estimated council tax surplus or deficit for 2018/19;
 - agree the estimated business rates surplus or deficit for 2018/19;
 - determine whether the Council should be part of a business rate pooling arrangements with other local authorities;
 - set the dates of precept payments to the Greater Manchester Combined Authority; and
- (2) Notes that the Chair of the Resources and Governance Scrutiny Committee will be requested to exempt various key decisions from the call in procedures.

RGSC/18/68 Proposed changes to the Council Tax charges levied for tax on empty properties

The Committee considered a report of the City Treasurer which set out proposals to charge increased Council Tax Premiums for long term empty (LTE) properties that had been unoccupied and unfurnished for over two years and also to revisit 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, with a view to remove these discounts.

The Corporate Revenues Manager and the Director of Customer Services and Transactions referred to the main points and themes within the report, which included:-

- The financial impact on the amount of Council Tax payable and the New Homes Bonus of the revised long term empty premium;
- The financial and non-financial impacts of removing the 100% Council Tax discount that was awarded for up to one month when a property became unoccupied and unfurnished and the 50% discount that was awarded for up to one year when a property is undergoing major repairs or structural alterations;
- The Council's proposals in relation to increasing the amount of Council Tax that was charged for unoccupied and unfurnished properties by charging an additional premium and the proposed changes to its existing policy and remove the Council tax discounts; and
- Details of proposed external consultation on the Council's proposed changes.

The Committee had been invited to comment on the report prior to its submission to the Executive on 12 December 2018.

Some of the key points that arose from the Committees discussions were:-

- There was support from all of the Committee in relation to the proposals;
- The additional income gained from the proposals could be reinvested into the Council's existing discretionary schemes that provide additional financial support to vulnerable residents including the Council's Welfare Provision scheme and the Discretionary Housing payments scheme;
- Would it be possible to gain any more income from the proposals in order to help our poorest residents;
- There was a need to positively promote this initiative to Manchester residents; and
- Why had the assumption been made that all properties that would be subject to this increase would be in band A Council Tax.

The Director of Customer Services and Transactions advised that there were no other discretionary areas that could be used to increase income and it would be unlikely for the Council to gain any more income from the proposals. She acknowledged the need to positively promote the changes following the planned consultation exercise. She also advised that the assumption had been made that all properties subject to this proposed increase would be in Band A was in order to be conservative in the Council's estimation of additional income. Reassurance was given that it would affect a broad mix of properties and agreed to share the data on this with Committee Members

Decision

The Committee:-

- (1) Endorses the recommendations contained within the report that the Executive:-
 - Approve the proposals contained in the report and agree to the start of a formal four week consultation exercise to commence in December 2018; and
 - Note that the outcome of the consultation will be reported back to Executive on 13 February 2019.
- (2) Requests that the data on the valuation bands of the properties that will be affected by the proposals is shared with Committee Members

RGSC/18/69 Process for Updating Capital Strategy (Incorporating P6 Position)

The Committee considered a report of the Chief Executive and the City Treasurer, which provided an update on the 2018/19 capital programme and the process for developing the Capital Strategy for 2019/20 onwards.

Officers referred to the main points and themes within the report, which included:-

- The development of the Capital Strategy to ensure that the Council made capital expenditure and investment decisions in line with Council priorities and properly took account of stewardship, value for money, prudence, risk, sustainability and affordability;
- The revised approach the Council had taken in relation to the approval process for capital expenditure through the Checkpoint process;
- The proposed Capital Programme from 2019/20 to 2023/24; and
- The Council's capital financing strategy, including detail on restrictions around funds and prudential borrowing.

Decision

The Committee notes the report

RGSC/18/70 Update on Capital Projects over £10m

The Committee considered a report of the City Treasurer, which provided details on the budgets for the Council's major capital projects.

Officers referred to the main points and themes with the report which included:-

- The Council's capital programme currently totalled £1,475.6m for the period 2018/19 to 2023/24;
- Large capital projects tended to be complex in nature, and any project which created a long term asset required long term planning, as such projects may need to be agreed before there was cost certainty, and with a degree of risk accepted;
- If projects required a budget amendment once the project had begun, approval by the Executive or Full Council was required; and
- Details for each directorate's major projects (£10m plus), including their original budget compared to their current budget with the rationale for any difference, as well as the current total spend as at the end of September 2018.

The Chair informed Members that projects that sat within Highways Maintenance, ICT and HRA Housing programmes were intended to be subject to future reports to this committee.

Some of the key points that arose from the Committees discussions were:-

- Was it possible to have an update on the Highways budget spend on footpaths and gully cleansing;
- How was the Council intending on ensuing it would spend all of the Highways budget for 2019/20 given this years underspend;
- There was concern that money for the Manchester Football Hubs project which was agreed as part of the 2016/17 budget had not yet been spent and how long was intended to be held for;
- Why had only £400,000 of the £21.3million budget for the Parks Improvement Plan been spent to date;

- It was suggested that the Committee received a future report on the progress of spend against the Northern Gateway and Eastern Gateway Programmes;
- Why had the costs of the Civic Quarter Heat Network project almost doubled from £14million to £26million and how confident was the Council that the cost would not increase further given that the project had yet to commence;
- Clarification was sought as to whether the cost of the redevelopment of St Peter's Square had overspent form its original budget;
- Why was the regeneration project at Ben Street underspent;

The Deputy Chief Executive explained that the funding for the Manchester Football Hubs project had not yet been spent as the Football Association scheme had changed and the Council was currently working with the Association as to how the project could be delivered. It was explained that if it became clear that the project could not be delivered, the funding would be reviewed to see if there was scope for the project to be delivered using other resources or allocated elsewhere. In terms of the Parks Improvement Plan, it was reported a new Parks strategy had been agreed earlier in the year which required a feasibility plan to be undertaken to determine how and where best to invest the allocated funding in order to maximise opportunities to secure additional funding. The Deputy Chief Executive acknowledged the comments by Members that progress with implementing the Improvement Plan had been slow and advised that the work would commence in January 2019 with implementation planned for Spring 2019, which would progress at pace. The Chair suggested that the Communities and Equalities Scrutiny Committee received the Improvement Plan in draft for Scrutiny Members to comment on the proposals before they were implemented.

The Strategic Director (Development) advised that the detail of the increase in the Civic Quarter Heat Network project would be included in its Business Plan which would be subject to scrutiny at a future meeting. He assured the Committee that the Executive had received regular reports on the project over the last four to five years which contained details as to the increases in the budget of the project. The Committee was advised that the redevelopment of St Peters Square was not overspent as it had formed part of the budget for the redevelopment of the Town Hall Extension complex, which was a total £155million.

The Strategic Director (Development) offered to provide Committee Members with details as to the underspend on the regeneration project at Ben Street as an item for information in a future Overview report.

Decision

The Committee:-

- (1) Notes the report;
- (2) Recommends that the Communities and Equalities Scrutiny Committee receive the proposed Parks Improvement Plan in draft to enable the proposals to be scrutinised before they are implemented;
- (3) Requests a future report on the progress of spend against the Northern Gateway and Eastern Gateway programmes;

- (4) Requests a future report on the Highways budget including spend on footpaths and gullies;
- (5) Agrees that when it considers a future report on the Civic Quarter Heat Network Business Plan, the report will contain details on why the budget for the project has increased;
- (6) Requests that as part of a follow up report, details of the underspend of the regeneration project at Ben Street are included.

RGSC/18/71 Overview Report

The Committee considered a report of the Governance and Scrutiny Support Unit which contained key decisions within the Committee's remit and responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

Decision

The Committee:-

- (1) Notes the report;
- (2) Agrees the work programme.

RGSC/18/72 Exclusion of Press and Public

Decision

The Committee agrees 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.

RGSC/18/73 Our Town Hall - Letting of the Management Contract

The Committee considered a report of the City Treasurer, which provided an update on the procurement of a Management Contractor for the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project.

The City Treasurer referred to the main points and themes within the report and answered questions from the Committee.

Decision

The Committee:-

- (1) Notes the progress made to date;
- (2) Notes that the City Treasurer will be taking the decision to appoint the preferred contractor as Management Contractor for the Our Town Hall Project;
- (3) Requests that as part of the decision to appoint the preferred contractor, the City Solicitor advises on measures to facilitate site access for the appropriate

Trade Union representatives of those working on site and endeavours to give these a contractual basis as far as is possible within the law, and to liaise with the Chair regarding the proposed wording;

- (4) Agrees that the Ethical Procurement Sub Group look at the National Agreements for the employment, welfare, grading and training of apprentices in the associated construction industries, with a potential view to requesting Officers ask the preferred contractor to consider adopting these, if they have not already done so;
- (5) Notes the next steps and procurement timetable for the conclusion of the procurement process; and
- (6) Notes the potential implications for cost and programme of delaying the appointment of the Management Contractor.

**Manchester City Council
Report for Information**

Report to: Resource and Governance Scrutiny Committee –
10 January 2019

Subject: Provisional Local Government Finance Settlement 2019/20

Report of: The City Treasurer

Summary

This report provides an overview of the Provisional Local Government Finance Settlement 2019/20 as announced by the Communities Secretary and published by the Ministry of Housing, Communities and Local Government on 13 December 2018.

Recommendations

Members are asked to note the report.

Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Contact Officers:

Name: Carol Culley
Position: City Treasurer
Tel: 0161 234 3406
E-mail: c.culley@manchester.gov.uk

Background documents (available for public inspection):

The following link discloses all the documents provided in the Provisional Local Government settlement.

Provisional local government finance settlement: England, 2019 to 2020:
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020?utm_source=89354b3a-3865-4051-9175-8247e58aeba8&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

1 Overview

- 1.1 The 2019/20 Local Government Provisional Finance Settlement was announced on 13 December 2018 by the Communities Secretary and published by the Ministry for Housing, Communities and Local Government (MHCLG). Alongside an oral statement to the House of Commons the government released supporting tables with indicative funding per Local Authority and a technical consultation, which closes on 10 January 2019.
- 1.2 2019/20 represented the final year of the four year settlement provided by Government, and was largely as expected. However, there have been a number of additional funding announcements, which have impacted on the financial position for the Council which are detailed in the report.

2 Financial Implications

- 2.1 The majority of the Finance Settlement was in line with expectations and followed the technical consultation in July 2018 and subsequent announcements in the Autumn Budget 2018t issued on 29 October 2018.
- 2.2 However, there were two announcements relating to the Business Rates Levy and grant for New Homes Bonus which have had a positive impact on the council's financial position.
- 2.3 In 2018/19 the Government's Business Rates Levy account is £180m in surplus. This is the first time a surplus has occurred and it will be distributed to all councils on the basis of need as per the Settlement Funding Assessment. The City Council's indicative allocation is £2.699m and it is expected this will be received in the current financial year.
- 2.4 The Budget Update report for 2019/20 which was presented to the December Scrutiny Committees noted that the New Homes Bonus grant was estimated at c£7m based on the number of new properties as at October 2018. This assumed the Government's baseline threshold requirements before growth would be increased as indicated in the July technical provisional settlement consultation. However, the Government has now confirmed an additional £20m in 2019/20 which will enable the baseline threshold to remain at 0.4% and provide the City Council with an allocation of £8.202m, £1.202m higher than budgeted.

3 Council Tax Referendum Principles 2019/20

- 3.1 There are no changes to the council tax referendum thresholds for Local Government. The core threshold remains at 3% and there are no further increases in the adult social care precept (6% threshold over 3 years, with maximum 3% increase in any one year).
- 3.2 The referendum threshold for the Police and Crime Commissioners' precept will increase to £24 (from the current £12).

- 3.3 Having considered the use made of precepting powers in 2018/19 the Government will not set referendum principles for Mayoral Combined Authorities in 2019/20.
- 3.4 The budget assumes that the City Council will increase the council tax precept by 3.49%, as presented last year; made up of a general precept element of 1.99% and the specific social care precept element of 1.5%. It should be noted that Local Authorities are able to increase the general precept element by a further 1% to 2.99% within the current referendum limits set by Government.

4 Social Care Funding

- 4.1 The funding increases announced in the Autumn Budget 2018 for adult social care and children's services were confirmed. The distribution amongst Local Authorities being based on the Adults Social Care Relative Needs Formula (RNF).
- 4.2 The council's indicative allocations were confirmed as follows:
- Winter pressures grant of £2.666m in both 2018/19 and 2019/20; and
 - Social Care Support Grant of £4.555m in 2019/20, which can relate to both adult social care and children's services.
- 4.3 A report to Executive on 12 December 2018 outlined proposals to deploy the allocation of the winter pressures grant funding for 2018/19 into priorities areas to support the health and social care system to manage service need.
- 4.4 Proposals are being drawn up in consultation with partners for the most effective use of the additional social care funding for 2019/20 and will be reported back to the relevant Scrutiny Committees and Executive in February.
- 4.5 The Social Care Green Paper which is intended to produce proposals that enable the care and support system to be sustainable in the long term has been delayed several times. The most recent publication deadline of before the end of 2018, has now been further delayed. No details are available as to when the publication may occur in 2019.

5 Business Rates Retention

- 5.1 The Government's objective to change the local business rate retention to 75% for all Local Authorities from 2020 was re-stated. There were 15 new 75% business rates retention pilots announced for 2019/20, compared to 10 in 2018/19 (of which just three will continue). The London pilot has been reduced from 100% to 75% retention.
- 5.2 These pilots are in addition to the existing schemes in devolution areas, including Greater Manchester, which will continue with 100% retention as expected. Accordingly, the City Council's budget for 2019/20 will be set on the basis of 100% business rates retention. This means that 100% of business

rates growth (as opposed to total business rates collected) is retained. The additional proceeds from the pilot are currently shared with GMCA who receive a maximum of 50% of the benefit, in line with the original pilot agreement.

6 Other Announcements

- 6.1 Rural Services Delivery Grant – an extra £16m has been found to increase this grant from its previous allocation of £65m to £81m, which keeps the grant at the same level as it was in 2018-19. Manchester does not receive this grant.
- 6.2 As expected, the Government has decided to “directly eliminate” Negative Revenue Support Grant in 2019/20 using foregone business rates at a cost of £152.9m.
- 6.3 The Government also flagged concerns about the scale of borrowing for commercial purposes in some local authorities. MHCLG and HM Treasury are considering further potential interventions. The position will be updated as further information becomes available.
- 6.4 Government are working on a package of support to promote efficiency and help councils become more efficient and get better service outcomes. A ‘continuous improvement tool’ will be launched in Spring 2019 and the smarter use of technology will be pivotal. There will be a £7.5m Local Digital Innovation Fund to promote service transformation.

7 Local Government Funding Consultations

- 7.1 Local government’s funding arrangements are set to experience their most significant reform for over two decades. The Fair Funding Review, reset of business rates baselines and changes to the business rates retention system all have critical implications for the distribution of funding across local government. At the same time, the results of Spending Review 2019 will affect the total level of funding available to the sector from April 2020.
- 7.2 Two consultations on the future of Local Government Funding were released alongside the Finance Settlement relating to the Fair Funding Review and Business Rates Retention Reform, both have a return date 21 February 2019.
- 7.3 The Council is working closely with MHCLG, Local Government Association (LGA) and other Local Authorities (particularly Core Cities) to ensure the circumstances of Metropolitan cities are represented in the reviews. Detailed responses have been submitted for all relevant consultations to date and representations made where possible including giving evidence to a MHCLG Select Committee on 100% Business Rates Retention, taking part in a Fair Funding Review consultation workshop in March 2018 hosted by government and LGA officers and collaborating on papers submitted to the national technical working groups. Responses will be sent to both current consultations and officers will attend a further event with the LGA in February.

- 7.4 The Fair Funding Review technical consultation considers the assessment of local authorities' relative needs, relative resources and transitional arrangements. The current system is over ten years old and the data used has not been updated since 2013. The review will examine the cost of delivering services across the country, and will consider which factors should be taken into account when considering a local authority's relative resources. Risks include:
- There are seven service specific formulas (down from fifteen) which are Adult Social Care, Children and Young People's Services, Public Health, Highways Maintenance, Fire & Rescue, Legacy Capital Finance and Flood Defence and Coastal Protection. A 'foundation formula' would pick up all other services and be the third largest element after Adults and Children's;
 - The impact deprivation has on the need to spend is an important element of the current formula and drives a significant amount of funding. The government is proposing to allocate the foundation formula on the basis of population alone – taking no account of deprivation;
 - Funding for services including concessionary fares, home to school transport and homelessness would be allocated on a per head basis in the foundation formula rather than on demand / usage as in previous years. This will disadvantage many urban authorities;
 - The current adjustment for the impact of density on need to spend is likely to be removed. Instead the impact of rurality and density will be included in the Area Cost Adjustment which applies to all formulae. The adjustment will be based on the Department of Transport's travel time data;
 - Equalisation of Council Tax income has always been an important factor in the formula to allow for the fact some areas can raise significantly more local income than others. Limits will be placed on the extent of equalisation with a cap being placed on the size of an authority's Relative Resource Adjustment, this is detrimental to Councils which have less capacity to raise Council Tax income;
 - It is proposed the additional population indicator will be removed, this compensates for the daily influx of commuters and visitors into an area; and
 - Highways maintenance formula will now only use road length and traffic flow. Indicators for built up roads, snow lying days and different road types would be removed. The built up roads removal is of particular concern as this gives twice the weighting to urban roads compared to rural roads
- 7.5 The Business Rates Retention Reform consultation will consider the sharing of risk and reward, managing volatility, particularly from appeals, and setting up the reformed system. With greater reliance on business rates income, there are concerns that the planned reset of business rates in 2020 will bring further pressure on Local Authorities.
- 7.6 Transitional arrangements will take account of a range of factors including the outcome of the Fair Funding Review, business rates baseline reset, any

further development of the business rates retention system and the 2019 Spending Review.

8 Conclusions

- 8.1 The Local Government Provisional Finance Settlement for 2019/20 represented the final year of the four-year settlement from Government. Generally the settlement was in line with expectations and followed the technical consultation in July 2018 and subsequent announcements in the Autumn Budget 2018.
- 8.2 Together with the Social Care grant funding announcements, there has been additional funding for Local Government this financial year from the surplus Business Rates Levy and a better than expected allocation of New Homes Bonus Grant next year following the baseline threshold remaining as 0.4%.
- 8.3 As this is the last year of the four year settlement there is no certainty as to what will happen with any of this funding in the next Spending Review period. After 2019/20 there is considerable uncertainty due to the Spending Review, the introduction of a new funding formula which will redistribute funds across Local Government and a full reset of the Business Rates retention scheme which brings a risk that the council will lose significant amounts of income.
- 8.4 Whilst the additional government funding for 2018/19 and 2019/20 is welcomed there are considerable challenges with forward financial planning given the late, short term announcements. The use of the funding will be reported as part of the continuation of the Council's Budget Strategy for 2019/20 and incorporated into budget reports in February.

9 Recommendations

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

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**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee –
10 January 2019

Subject: Management of staff performance and misconduct

Report of: Director of HROD

Summary

The purpose of this report is to provide Members with an overview of employment casework in respect of the Disciplinary and Capability policies. The report provides case numbers, key issues and trends and the work of HROD to support managers and improve capacity.

Recommendations

The Committee is asked to note and comment on the report

Wards Affected: All

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Contact Officers:

Name: Lynne Ridsdale
Position: Director of HROD
Telephone: 0161 800 8380
E-mail: l.ridsdale@manchester.gov.uk

Name: Shawna Gleeson
Position: Head of HR Operations
Telephone: 0161 2457517
E-mail: s.gleeson@manchester.gov.uk

Background documents (available for public inspection):

None

1. Summary

- 1.1 The purpose of this report is to provide Members with an overview of employment casework in the organisation in respect of the Disciplinary and Capability policies.
- 1.2 The report provides case numbers, issues and the work of HROD to support managers and improve capacity.

2.0 Background and Overview

- 2.1 The Council's employment policy framework gives managers responsibility for managing all aspects of workplace performance, with a focus on maintaining high standards of performance at work but also identifying and managing issues that it is necessary to deal with through formal procedure, ie through Management of Attendance, Employee Dispute Resolution, Capability and Disciplinary policies. HROD provide specialist advice to all managers in support of their role; the nature of support varies from day to day advice and guidance in managing performance in the workplace, to specialist procedural advice and Employee Relations support if an issue is to be addressed formally.
- 2.2 Within HROD there is a specialist Casework team comprising of 9 officers. Each Directorate has at least one Specialist Officer providing specialist advice on the most complex cases with a pool of generalists providing advice on cases or issues of less complexity.
- 2.3 Over the period December 2017 - November 2018, 755 cases were supported by the HR casework team across all performance policies: Management of Attendance, Capability, Conduct and Employee Dispute Resolution. It should be noted that:
 - the majority of these cases are in relation to management of attendance (accounting for 77% of all casework), the detail of which is set out in the annual report to the HR Sub Committee;
 - there were 124 cases conducted under the Disciplinary policy, within which the trend of a year on year increase in case work volumes over the past three years has continued; and
 - 7 cases were conducted under the Capability policy in the 12 month period.

A breakdown of disciplinary cases is below; the profile of Capability cases has not been included on the basis that individuals could be identified from the small numbers involved, but profile is broadly consistent with Directorate numbers.

Directorate	Conduct
Adults	38
Core	17
Children's	37
Neighbourhoods	25
Strategic Development	7

3.0 Case Analysis

Disciplinary Casework

- 3.1 In 12 month period December 2017- November 2018 there were 124 Conduct cases (see table below) investigated under the Disciplinary policy, 91 of which were classed as gross misconduct. Under the Council's agreed disciplinary policy, gross misconduct is *"regarded as an incident or incidents of misconduct so serious, that the action fundamentally breaches the contractual relationship between the employee and the City Council and justifies that the Council in no longer accepting the employee's continued employment"*.

Directorate	General	Gross	Grand Total
Adults	7	31	38
Core	10	12	17
Children's & Education	7	30	37
Neighbourhoods	10	15	25
Strategic Development	4	3	7
Grand Total	33	91	124

- 3.2 Whilst the number of cases varies across Directorates, factors including overall staffing numbers within Directorates, nature of the work and statutory considerations all influence the numbers and complexity of cases. The highest numbers of conduct cases in the reporting period were within Adults and Children's and Education Services, with 31 and 30 cases respectively. The largest number of cases within a specific area was within Disability supported Accommodation where there were 26 Conduct Cases (22 of which were considered Gross Misconduct).
- 3.3 All of the 91 cases which were considered potential gross misconduct are/were subject to a full investigation. It used to be the norm for every gross misconduct allegation to result in a suspension from work but case law has changed to require suspension to apply only as a last resort. As such, over the last year the Council has suspended 28 employees during investigation and found alternative duties, with appropriate safeguards, for a further 59 people.

- 3.3 The numbers of suspensions and the average time frames to conclude suspensions are detailed below:

Directorate	No of employees suspended	Longest Duration (days)	Shortest Duration (days)	Average Duration (days)
Adults	14	1,024	27	643
Core	4	56	394	146.5
Children's & Education	8	471	65	273
Neighbourhoods	2	35	308	171.5
Grand Total	28			433.06

- 3.4 The current average timeframe to conclude a case is 6 months, however timeframes can vary greatly depending on complexity. The cases outside of this norm are generally those where there is more than one employee involved; where employees are subject to a police investigation and / or where there are safeguarding concerns which require multiple strands to the investigation. On this basis it should be noted that, within the figures above, one particular case within Adults services accounts for the highly exceptional current average duration of case work. This case has continued for over 18 months on the basis that it involves more than half a dozen staff; was subject to criminal proceedings and a Safeguarding Adults Review (SAR) all of which have diminished the Council's control over proceedings and regrettably elongated timescales.
- 3.5 It is possible to reduce average case work duration from 6 months if investigations are concluded more expeditiously. This will require more dedicated capacity from Investigating Officers who, at present, balance the investigation work with their substantive role which can give practical constraints.

Performance Capability

- 3.6 Within the same reporting period there were 7 employees taken through the formal performance capability procedure, all of which have been supported to improve performance at work and access appropriate development.
- 3.7 The low volume of formal capability casework has been achieved through significant recent investment in individual performance management, in order that performance concerns may be identified and addressed at an earlier stage rather than through formal procedure. Key interventions in place for all staff now include:

- The design and roll out of a new strengths-based individual appraisal mechanism for every member of staff - About You. This tool ensures that every member of staff has access to rolling, quality 121 conversations where objectives are set and monitored; individual wellbeing is reviewed and personal development planned
- About You was rolled out in 2016 and evaluated in 2018 to take feedback on effectiveness. Feedback was overwhelmingly positive but further continuous improvement mechanisms are being applied, including mechanisms to track records of such conversations from a quality assurance perspective
- A bespoke performance framework for senior managers (ie those in Special Grade posts) was introduced as part of the new Senior Pay Framework, in order that progression of senior managers through refreshed grades can be managed subject to individual performance. The framework requires senior managers to set and be assessed against an ABCD performance framework, which addresses:
 - Attitude (ie evidence of the Our Manchester behaviours);
 - Basics of service management (ie use of resources and key service performance indicators);
 - Corporate contribution; and
 - Directorate improvement.

Performance against these indicators will be reviewed by the relevant Strategic Director and moderated for corporate consistency by full SMT at the end of each financial year, to inform grade progression decisions these changes have been designed to support an increased focus on performance management as a key component of effective people management, improving performance and also enabling issues to be identified and managed sooner

4.0 HR Support

- 4.1 Casework support is available to managers from a specialist advice team within HROD. The team provide expert support and guidance in relation to employment law issues and providing additional 121 support for managers for the most complex cases.
- 4.2 By the very nature of the work, to a large degree the team provide reactive support and guidance, responding to issues as and when they occur in the organisation. However the team also have a proactive role, identifying risks and trends within Services and providing support, including training to address these.
- 4.3 In the last 12 months there has been a greater focus on Casework both at a Corporate and Directorate level and HR have introduced a range of initiatives to drive higher quality and more timely case management. In terms of Corporate oversight:

- The quarterly Workforce Performance Dashboards performance measures include an overview of casework activity at both a Corporate and Directorate level;
- HROD have introduced a monthly case review which monitors case progress and identifies risks and issues which can then be shared with the relevant member of SMT; and
- Monthly reviews of suspensions are being introduced again to improve timeliness and address any issues with cases.

4.4 At a Directorate level more detailed analysis is provided which includes:

- Each Directorate DMT receives detailed analysis of their current caseloads including risks and issues on at least a quarterly basis;
- Where trends and issues are identified, specific interventions are introduced to address them, recent examples include;
 - Within Adults increased engagement between the casework HROD specialists and Service Leads has enabled the service to assess priorities and establish the most appropriate actions that have led to the conclusion of a number of long running cases. In addition training was identified and rolled out to managers in relation to Case Investigations and managing performance with a strong focus on behaviours.
 - Within Children's and Education Services casework is now discussed on a monthly basis at the Directorate's Workforce Planning Board. This includes reporting on current cases but also sharing learning and identifying any additional support or training required. Focused work is carried out with teams with higher than average cases which includes weekly sessions with Investigating Officers to review progress. Case Conferences have been established within teams with high caseloads.
 - Performance Management training sessions have been developed to cover the basics of performance management from About You conversations to informal and formal monitoring of employees performance.

5.0 Recommendations:

5.1 It is recommended that Resources and Governance Scrutiny note:-

- the consistently high volume of case work being managed across the organisation;
- the work of the HR team to mitigate case work volumes through quality management interventions; analysis of workforce information in consultation with DMTs and quality assurance of formal proceedings; and
- the case law change which provides for a significantly lower number of suspensions now than were applied historically, but practical constraints in concluding complex investigations quickly

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