

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Tuesday, 8 November 2022

Present:

Councillor Simcock (Chair) – in the Chair
Councillors Andrews, Davies, Good, Kirkpatrick, Lanchbury, B Priest, Rowles and Wheeler

Also present:

Councillor Craig, Leader of the Council
Councillor Akbar, Executive Member for Finance and Resources
Councillor Stanton, Deputy Executive Member for Finance and Resources
Councillor Reid
Councillor Russell

RGSC/22/47 [14.00-14.05] Minutes

Decision:

That the minutes of the previous meeting, held on Tuesday, 11 October 2022, be approved as a correct record.

RGSC/22/48 [14.05-14.50] Workforce Equality Strategy Implementation Update

The Committee considered a report of the Director of Human Resources, Organisation Development and Transformation which provided an update on progress to date to increase diversity, to ensure the Council is an inclusive employer and to challenge discrimination.

Key points and themes in the report included:

- The context and background to the development of the Workforce Equality Strategy;
- How the Council had created a more diverse workforce at all levels by developing existing staff and opening opportunities out to Manchester residents through:
 - The Leadership Pathway Programme
 - Apprenticeships
 - Work experience
 - Involvement in career fairs across schools, colleges, universities and within the community;
- Engagement and communications on the Strategy;
- The development and embedding of the Our Manchester fifth behaviour (OM5B), which reinforces the Council's commitment to being an equal, inclusive, and fair organisation;
- Staff attendance at Equality, Diversity and Inclusion (EDI)-related training;

- Works to transform the ways in which the Council recruits and selects, including:
 - Procuring and implementing a new Applicant Tracking System, which will be more intuitive and easier for managers and applicants to use and will provide the data needed to plan improvements;
 - Improvements to recruitment processes;
 - Requesting that all selection panels are diverse in terms of gender and race; and
 - Creating a new website and developing a more compelling and appealing brand for the City Council as an employer.
- Progress and feedback from staff networks, equality champions and allies;
- Setting and monitoring targets across a range of measures;
- Workplace adjustments and trans inclusion; and
- New and existing policies and the Policy Forward Plan for the next 12 months.

A number of guests from the Council's Leadership Pathways Programme, Diverse Panels, Women's Equality Network, Pregnancy & Parenting Group, Neurodiverse Employees Group and the Race Equality Network Assurance Working Party attended the meeting and shared their experiences and achievements.

Key points and queries which arose from the Committee's discussion included:

- Expressing thanks to the guests who attended to share their experiences;
- Acknowledging potential implications from the Retained EU Law Bill, where EU derived law will expire on 31/12/2023 unless the government retains it;
- Whether some of the rights and protections identified in staff contracts would be revoked upon the expiry of the Retained EU Law Bill;
- Concern over some testimonials, particularly from female employees who felt they needed to take annual leave rather than sick leave for women's health reasons;
- Inconsistencies in managers' approaches to and understanding of equalities and how this could be resolved;
- Requesting that a future update report includes reference to the work and progress made by senior and middle managers to implement the Strategy;
- Noting the progress made on diverse interview panels, and querying what could be done to increase the number of these;
- Whether staff still self-define their equalities information;
- Recognising an increase in the number of disabled employees, and querying whether this was due to the Council proactively hiring more disabled people or current employees receiving a disability diagnosis during their employment;
- The need to raise understanding and awareness of a father's role and caring responsibility, particularly in male-dominated teams;
- Commending the Menopause Policy, but acknowledging a need to continue raising awareness and to address period-shaming;
- Whether the Council specifically recruits care-leavers;
- Requesting that a future update report examines progress to date against the schedule of actions from 2021/22; and
- The need to have a series of measures to track progress.

The Chair opened discussion on the item by thanking guests for their attendance and presentations.

The Director of Human Resources, Organisation Development and Transformation (HRODT) explained that nearly all of the Council's policies are embedded into employment contracts. The Council would be unable to vary these without employee consent and trade union agreement.

It was explained that employment contracts were based on English employment law and a set of terms and conditions, known as the 'Green Book', which are negotiated nationally through collective bargaining arrangements with the National Joint Council (NJC).

The Talent and Diversity Lead acknowledged the need for managers to be consistent in their approach to and understanding of equalities but that there also needed to be understanding and confidence. He acknowledged that some work was needed around supporting managers, being clear around unacceptable behaviour and what was expected of managers.

The Director of HRODT emphasised that there was not a 'one size fits all' approach to achieving consistency amongst managers. The new Our Manchester fifth behaviour - '*We show that we value our differences and treat people fairly*' – was important in raising expectations of staff and work was underway on identifying expectations of managers.

In response to a query regarding how the Council could increase the number of diverse interview panels, the Talent and Diversity Lead suggested that more could be done to highlight the purpose and importance of diverse panels and how these help the Council's decision-making processes.

Early discussions had been held with trade unions regarding the Council's recruitment and selection policy, which would enshrine the mandate for diverse panels, and this would be considered by Personnel Committee in the future. A new learning and development course would also be launched for managers who recruit, which the Director of HRODT hoped would help to embed understanding of the need for and advantages of diverse panels.

The Director of HRODT commented that many employees had found participating on a diverse recruitment panel hugely beneficial.

Reassurances were provided that the work over the past 12 months had tried to build understanding, buy-in and commitment and that this was essential to continue making progress.

In response to a query regarding whether staff still self-define their equalities information, the Director of HRODT advised that work had been undertaken to change the categories for those self-declaring their race, ethnicity and other equalities information because many of the previous categories were not felt to be correct. It was confirmed that staff could self-declare their equality information online and that this was confidential.

Officers were currently unable to assess whether the increase in the number of disabled employees was due to the Council proactively hiring more disabled people or current employees receiving a disability diagnosis during their employment. It was explained that the new recruitment system would be able to track different groups and how they progress through the recruitment process.

The Talent and Diversity Lead also clarified that the Employee Equality Networks individually define their membership criteria and not the HROD team.

The Director of HRODT acknowledged that a lack of understanding and awareness of a father's role and caring responsibility was a societal issue and that HROD would address individual examples on a case-by-case basis.

Members were also informed that the Council has an interview guarantee scheme for care-leavers, disabled people, and those leaving the armed forces. Statistics on the number of guaranteed interviews which have been held would be provided outside the meeting.

The Director of HRODT highlighted that progress was being made against the 2021/22 schedule and the team assessed this monthly. There was a range of measures in the Strategy, the majority of which are tracked, and a future update report could examine progress to date against the schedule of actions from 2021/22.

The Deputy Chief Executive and City Treasurer commented that it was important for the Council to encourage staff to be able and feel comfortable to express their views in order to make the necessary changes and progress.

The Executive Member for Finance and Resources thanked officers for the report and their work and expressed his gratitude to the guest speakers for their attendance and their honest, powerful and brave testimonies. He stated his belief that a talented and diverse workforce was essential for the Council to reflect the city's population and to provide better services for residents.

He welcomed the challenge from the Committee and highlighted the Council's journey since the Independent Race Review in 2019. It was important not to lose sight of this work as the country faced another period of austerity.

Decision:

That

1. the report and progress to date be noted and
2. the Committee requests the next update on the implementation of the Workforce Equalities Strategy examines the work of middle and senior management in achieving the priorities outlined in the Strategy.

RGSC/22/49 [14.50-15.20] Update on Health and Wellbeing Strategy

The Committee considered a report of the Director of Human Resources, Organisation Development and Transformation which outlined the Council's progress on delivering the Health and Wellbeing Strategy, the impact of the pandemic on the workforce and to the delivery of the strategy. The report also set out a plan to review the strategy and provided an insight into the Council's sickness absence rates.

Key points and themes within the report included:

- Promoting and supporting employee wellbeing is a key workforce priority for the Council;
- The Strategy is split into two thematic areas; '*high quality working life*' and '*mentally and physically healthy people*';
- The impact of COVID-19 on the delivery of the Strategy, and how the Council protected the health and safety of the workforce whilst continuing to deliver services to Manchester residents;
- The achievements of the Strategy to date;
- Improving the financial wellbeing offer for staff is a key priority in the context of the cost-of-living crisis with the Council providing access to financial education programmes, counselling, debt management, affordable borrowing, salary advances and a meaningful staff benefit package;
- How the Strategy will be reviewed through a model of best practice, staff engagement and workforce intelligence;
- 93,296 days were lost due to sickness absence in 2022, 27.4% of which were due to stress/depression and 13.5% due to Covid-19;
- Adults, Neighbourhoods and Children's Services have the highest levels of sickness;
- Mixed/multiple ethnic employees have the highest sickness absence rates of all ethnicities and employees aged over 50 have the highest sickness absence rates.
- Female staff also have higher sickness absence rates than males; and
- The Management Attendance Policy and role of HR in managing attendance.

Key points and queries that arose from the Committee's discussion included:

- Whether remote working had improved employees work-life balances;
- How many employees worked fully remotely and whether the Council would ever offer fully-remote working contracts;
- The Council's expectation that staff work from the office for half of the week, and whether this was operationally-led;
- The process for employees reapplying for flexible working if their initial request is denied;
- How consistency on flexible and remote working requests is managed between services;
- Whether the staff survey included sections on health and wellbeing and flexible working; and
- The significance of disability on absence and sickness rates; and
- A lack of statistics within the report related to the number of sickness days caused by disability; and

- What data the Council had on Return-to-Work meetings and the impact these had on recurrent sickness absence.

The Head of Workforce Strategy explained that the Health and Wellbeing Strategy was developed in 2018 based on the Council's understanding of the challenges faced by the workforce at that time. The impact of the Covid-19 pandemic on the workforce and delivery of the Strategy was highlighted and this was reflected in some of the sickness absence rates.

Some key achievements arising from the delivery of the Strategy to date included membership of the Good Employment Charter, the development of a Menopause Policy, the roll-out of Leadership and Development Programmes and a Mental Health First Aid programme.

The Head of Workforce Strategy also advised the Committee that the Council had improved its financial wellbeing offer to support staff with the cost-of-living crisis.

A review of the Strategy would be undertaken soon and would be informed by workforce engagement and sickness absence trends.

In response to queries around remote and hybrid working, the Head of Workforce Strategy explained that sickness absence rates decreased during the pandemic when some employees worked from home.

The Director of Human Resources, Organisation Development and Transformation (HRODT) explained that both currently and throughout the pandemic, approximately 50% of the staff worked from the workplace due to the nature of their role. It was confirmed that approximately 20-30 employees were permitted to work from home fully due to either medical conditions or the nature of their work, although they were required to physically attend team meetings.

Members were advised that the approach to hybrid working and office presence was both operationally-led, in that managers examined the nature of their workforce and the work they do, and the benefits of working in the office on team-building and socialisation.

The City Solicitor provided an example of how lawyers within the Children and Families Legal Group often benefitted from working from home whilst attending virtual court hearings, as this provided a level of quietness and confidentiality and allowed better focus. She explained that the operational element of working and the needs of the service and staff were key.

The Deputy Chief Executive and City Treasurer advised that the expectation for staff to work in the office 50% of their working week was a rule-of-thumb and that staff often felt differently about working practices. Some roles were difficult to recruit as candidates often wanted to work from home.

The Deputy Chief Executive and City Treasurer commented that the Council needed to support staff to work well, regardless of their location, but there needed to be a

connection between the workforce and workplace. It was her preference that team meetings and 1-2-1s were held in person.

In response to a query around the process for employees reapplying for flexible working if their initial request is denied, the Head of Workforce Strategy informed the Committee that a rejected application could be appealed to a senior manager within the service and that if new information or changes to circumstances had arisen, a new application could be submitted.

The Head of Workforce Strategy acknowledged issues around consistency in approving flexible working requests but commented that HR can provide support where applications are shared with them. Understanding and awareness of flexible and home working needed to be increased and a record of all approved requests was maintained. Figures on the number of flexible working requests that were approved could be provided following the meeting.

Members were also advised that there was a focus on health and wellbeing within the 2022 staff survey to understand the impact of work on this and these findings would be built into the Strategy.

The figures for Return-to-Work meetings were included in the HR Dashboard and shared monthly with Directorate Management Teams. Assurances were provided that HR Business Partners worked with Heads of Service in areas with high sickness absence rates and low Return-to-Work completion rates to understand patterns and impacts and how improvements could be made.

It was acknowledged that more work could and would be undertaken to address the equality impact of sickness absence. It was also confirmed that statistics related to the number of sickness days caused by disability were available and could be provided following the meeting.

The Executive Member for Finance and Resources took the opportunity to thank officers for their work on the Strategy. He recognised the need for the Strategy to benefit all Council employees and stated his belief that staff were the Council's biggest asset and that every employee should be able to fulfil their potential, develop their career and provide the most effective service for residents.

Decision:

That the report and progress to date be noted.

RGSC/22/50 [15.20-15.50] Revenue Budget Update

In introducing the item, the Chair proposed to take items 7 and 8 together.

The Committee considered a report of the Deputy Chief Executive and City Treasurer, which outlined the priorities for the services in the remit of the Committee and detailed the initial revenue budget changes proposed by officers.

Key points and themes within the Revenue Budget Update report included:

- The Council is forecasting an estimated budget shortfall of £44 million in 2023/24, £85 million in 2024/25, and £112 million by 2025/26;
- After the use of circa £16 million smoothing reserves in each of the three years, the estimated budget shortfall reduces to £28 million in 2023/24, £69 million in 2024/25 and £96 million by 2025/26;
- There remained a budget gap of £7 million to close to get to a balanced budget in 2023/24 despite proposals outlined in the report;
- The Council's 2023/24 funding from central government will be confirmed in the provisional finance settlement, expected late in December 2022;
- Increases in interest rates will have a significant impact on the cost of borrowing and the ability to support the future capital programme;
- The Council's robust reserves strategy has proven successful in managing risk and timing differences to deliver balanced and sustainable budgets and provide the time necessary to deliver on its planned savings
- The anticipated reduction in usable earmarked reserves over the next four years to under £100 million;
- Resources required as a result of inflationary pressures, service pressures and the reversal of the 1.25% National Insurance increase;
- Investment in anti-poverty measures, amounting to £1.8m in 2022/23 and £3.55m in 2023/24;
- Progress on identifying savings and cuts options;
- Public consultation on proposed Council Tax levels and the savings and cuts measures put forward by officers will take place between November 2022 and January 2023; and
- Next steps for the budget process.

Key points and queries which arose from the Committee's discussion included:

- Acknowledging that £24 million had been reincorporated into the budget position from business rates, and queried why this was not reflected for subsequent years;
- Whether there was any indication that the business rates pilot scheme was to continue;
- If the staff pay award had been agreed and whether this was more than budgeted for;
- The financial position of the Council if the period of austerity between 2010 and 2019 had not occurred;
- Whether it could be assumed that there would be no budget gap around gas inflation from 2024/25 onwards, given the volatility of energy prices;
- The cumulative effect of budget cuts year-on-year was powerful;
- The need to make more assumptions due to delays from government and the instability this causes;
- How the government's mini budget in October 2022 impacted the Council's borrowing costs; and
- Commending the Council on continuing to fund and support the welfare support budget and the Voluntary and Community Sector (VCSE).

The Deputy City Treasurer explained that the business rates pilot was due to end and had been removed from forward budget assumptions. The Department for Levelling Up, Housing and Communities had strongly indicated that the pilot scheme was unlikely to end next year and £12 million had been factored into the budget assumption for this.

Members were informed that the Council had collected more money from business rates last year than anticipated. This could only be spent in arrears and £12.649 million had been factored into the forecast business rates surplus for 2023/24

The Deputy City Treasurer explained that the government was intending to review the business rates pilot as it reviewed business rates more generally and had suggested the possibility of changing the baseline of the percentage of rates which councils could keep, which could detrimentally impact the Council's budget if increased. This was unlikely to change for 2023/24 due to delays to business rates reform and receiving the Finance Settlement.

The Deputy City Treasurer confirmed that the staff pay award had been agreed and was a flat increase of £1,925 for all employees, except the Chief Executive and craft workers, regardless of their position on their pay grade. Members were also advised that a 4% salary increase had been forecasted for subsequent years, compared to 2% usually budgeted for.

The Executive Member for Finance and Resources acknowledged that Manchester City Council was a well-managed and financially-responsible authority and stated that the fault was the direct result of ideological decisions taken by the government over the previous decade. He explained that the Council's budget had been unfairly cut by £428 million since 2010/11 and that if Manchester had received the average cuts to funding the city council budget would be £77 million per year better off.

Members were informed that the problem was not solely experienced by Labour Councils and there was a £3 billion shortfall and gap for local authorities across the country next year. A recent survey conducted by Grant Thornton found that 1 in 6 councils would run out of money in 2023/24.

The Executive Member for Finance and Resources provided assurances that the Council would continue to provide fundamental services for residents and focus on priorities which residents want. He called on the government to support councils during this period to enable them to continue providing essential services, driving local economic growth and support the most vulnerable in our communities.

In response to a query around gas inflation, the Deputy City Treasurer explained that the Council had been prudent in its assumptions, prices had fallen since the contract was entered into and it was anticipated that energy prices would reduce from the peak levels seen as the economy went into recession.

The Committee was also informed that interest rates had stabilised upon the current Prime Minister going into office and there was sufficient funding capacity within the capital financing budgets to fund the current programme. However, it was

acknowledged that there would be an impact on funding future programmes. It was difficult to predict the impact on future years' given current uncertainty.

The Leader of the Council reiterated that this was the most unpredictable financial year which the Council had faced in a considerable amount of time. She stated that there had been an intentional and ideological approach to the role and services of local authorities from the central government, which did not match with the support provided by local authorities during the pandemic. She reiterated that budget pressures were felt by local authorities across the country, regardless of political leadership, and asked that central government matched inflationary pressures and included inflationary uplifts in addition to a flat funding figure, which would enable local authorities to protect services.

The Leader of the Council also thanked staff for identifying savings in a thoughtful and considerate way which minimised the risk of impacting residents' lives, which the Executive Member for Finance and Resources and the Chair echoed.

Decision:

That the report be noted.

RGSC/22/51 [15.20-15.50] Corporate Core Budget Proposal 2023/24

The Committee considered a report of the Deputy Chief Executive and City Treasurer, the City Solicitor and the Assistant Chief Executive, which outlined the priorities for the services in the remit of this committee and detailed the initial revenue budget changes proposed by officers.

Key points and themes within the report included:

- The Council needed to identify savings/cuts/cost avoidance of over £100 million over the next three years;
- The Corporate Core is made up of Chief Executives and Corporate Services and has a gross budget of circa £329 million and a net budget of circa £79.8 million and employs over 2,000 Full-Time Employees (FTE);
- Traded services within Operations and Commissioning are also within the remit of the Resources and Governance Scrutiny Committee, and have a gross budget of £22.2 million, a net credit budget of £14.4 million and 126 employees;
- Core budget savings will be delivered through a combination of:
 - Transformation delivered through the Future Shape Programme.
 - Review of workforce structures and capacity
 - Good housekeeping and delivery of efficiencies.
 - Delivering a corporate programme of work on ensuring the basics are right, sound and competitive procurement, approach to managing inflation, ensuring income budgets are maximised and charges appropriate.
- Further budget savings and efficiencies made up £300k additional income generation and £3.29 million efficiencies;
- Budget pressures and workforce implications; and

- Future opportunities and risks.

The Committee discussed this report with item 7 – Revenue Budget Update.

RGSC/22/52 [15.50-16.00] Overview Report

The Committee considered the report by the Governance and Scrutiny Support Unit which provided details of key decisions that fell within the Committee's remit and the Committee's work programme, which was to be amended as appropriate and agreed.

An update was requested on the progress of a previous recommendation that a Major Contracts Oversight Board be established. It was confirmed that the Board was due to hold its first meeting at the end of November 2022.

The Chair also requested that a report on the Council's Complaints Policy be added to the Committee's work programme.

Decision:

That the report be noted and the work programme agreed and amended to include a report on the Complaints Policy.