Resources and Governance Scrutiny Committee

Minutes of the meeting held on Tuesday, 7 February 2023

Present:
Councillor Simcock (Chair) – in the Chair
Councillors Andrews, Davies, Good, Lanchbury, Rowles and Wheeler

Also present:
Councillor Craig, Leader of the Council
Councillor Akbar, Executive Member for Finance and Resources
Councillor White, Executive Member for Housing and Development
Councillor Lynch, Deputy Executive Member for Housing and Development
Councillor Stanton, Deputy Executive Member for Finance and Resources

Apologies: Councillor Kirkpatrick and B Priest

RGSC/23/7 Minutes

Decision:

That the minutes of the meeting held on Tuesday, 10 January 2023 be approved as a correct record.

RGSC/23/8 Revenue Budget Update 2023/24

The committee considered a report of the Deputy Chief Executive and City Treasurer, which outlined the latest forecast revenue budget position and the next steps. Following the Provisional Local Government Finance Settlement announced on 19 December, the Council was forecasting a balanced budget for 2023/24 and 2024/25. The financial risk around balancing the budget had moved to the next Spending Review period in 2025/26 where a shortfall of £58m was forecasted. This would reduce to £41m after the proposed use of £17m smoothing reserves.

Key points and themes within the report included:

- The Council identified cuts and efficiencies totalling £42.3m over three years for consideration by Scrutiny Committees in November 2022. It was now proposed to progress options of £36.2m, a reduction of £6.1m overall;
- Changes arising from the Settlement, including to Business Rates Retention; the Services Grant; and Social Care and Funding;
- The additional investment proposals included within the Budget;
- £16m of reserves per annum for three years were proposed to close the pre-Settlement budget gap and this would be rephased following receipt of the Settlement to support a sustainable position, particularly to support closing the budget gap in 2024/25 and to deal expected funding shortfalls in 2025 and beyond;

- The indicative workforce reduction linked to the savings proposals has reduced from 70 Full-Time Equivalent (FTE) over the three years to 60, which was anticipated to be managed via natural turnover and vacancies;
- A second phase of public budget consultation was undertaken between 7 January and 7 February with a full analysis and results reported to Budget Scrutiny Committee on 27 February; and
- The final budget position for 2023/24 and future years will be confirmed at February 2023 Executive. This will be after the Final Finance Settlement is received, expected early February.

Key points and queries that arose from the committee's discussions included:

- Acknowledging that the government's announcements had deferred difficult financial decisions to 2025/26 and did not provide certainty or financial security for councils over the longer term;
- Commending officers for their work on the budget; and
- Noting the Council's dependency on government funding and business rates income rather than council tax, and that residents would focus on the proposed council tax increase.

The Executive Member for Finance and Resources wished to place on record his thanks to the Deputy Chief Executive and City Treasurer and her team for all their hard work following the Settlement announcement. He stated that the Budget Settlement needed to be considered in the context of over a decade of austerity imposed on Manchester. He stated that if the city had received the average cut in funding Manchester would be £77m per year better off. He commented that the decision to cut local authority funding was a result of ideological decisions taken by the Government, noting that the Government failed to recognise or apologise for the instability they had caused to the national economy. He further referenced the impact of inflation, population growth in the city and the cost-of-living crisis on budgetary pressures. He commented that the Government had failed to communicate their financial decisions for city, noting the recent experience of announcements of the Levelling Up bids.

The Executive Member for Finance and Resources stated that the budget decisions of the Government had effectively forced the Council to increase Council Tax. He advised that the Council was able to deliver a balanced budget and Council Tax would be used to support the most vulnerable residents in the city; support the social care sector and invest in the future of the city.

In response to the Chair's comments regarding how residents would view the increase in council tax as significant despite the Council being reliant upon government funding and business rates income, the Executive Member for Finance and Resources highlighted Manchester's low council tax base compared to other Core Cities and stated that the cumulative impact of not increasing council tax would affect the Council's ability to provide services. He explained that the decision to increase council tax was not taken lightly and that residents on the Council Tax

Support Scheme (CTSS) would be provided with additional support at the point of billing. The discretionary housing provision would also be used to support those experiencing difficulty during the cost-of-living crisis.

The Leader of the Council reiterated comments regarding the complexity of local government finances and highlighted how the profile of resources available to the Council had changed over the last decade. She stated that this was an intention strategy of the government to reduce grant funding and increase council tax rates.

Decision:

That the report be noted.

RGSC/23/9 Corporate Core Budget 2023/24

The Committee considered a report of the Deputy Chief Executive and City Treasurer, the City Solicitor, and the Assistant Chief Executive, which provided a further update to members on the priorities for the services in the remit of this committee and detailed the changes to the initial revenue budget options proposed by officers in November 2022.

Key points and themes within the report included:

- It was now proposed that savings options of £36.2m are progressed, of which £7.712m is within the remit of this scrutiny committee;
- The Corporate Core is made up of Chief Executives and Corporate Services and has a gross budget of circa £317 million and a net budget of circa £98.9 million and employs over 2,000 Full-Time Equivalent (FTE) employees;
- Traded services within Operations and Commissioning are also within the remit of the Resources and Governance Scrutiny Committee, and have a gross budget of £22.9 million, a net income budget of £13.7 million and 126 employees;
- Initial proposed cuts and savings options suggested in November 2022 amounted to £10.26m over the three years. As a result of the improvement in the short-term budget position following the Autumn Statement and Provisional Finance Settlement, proposed cuts and savings of £2.920m have been removed or deferred until later years;
- Revised core budget savings will be delivered through a combination of:
    - Transformation delivered through the Future Shape Programme.
    - Review of workforce structures and capacity and adopting a realistic view on abilities to fill longstanding vacancies.
    - 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 of £170k additional income generation and £3.29 million efficiencies;

- Budget pressures and workforce implications; and
- Future opportunities and risks.

Key points and queries that arose from the committee's discussions included:

- Whether any consideration had been given to raising the proportion of council tax covered by the Council under the Council Tax Support Scheme (CTSS), and
- The likeliness that all vacant units within the Gorton Hub would be let.

The Leader of the Council introduced the item and explained that in proposing the budget for the Corporate Core directorate, officers had tried to protect frontline services to ensure continued support for the most vulnerable residents, particularly given the current cost-of-living crisis. She highlighted decisions to invest money into helping communities through discretionary payments, funding for food provisions and expanding debt support and emphasised that support was available for those in need.

The Deputy Chief Executive and City Treasurer explained that the Council was considering changing the level of council tax paid by residents on CTSS from the current maximum of 17.5% to 15%. Any change would require a full consultation, and this was anticipated to be undertaken within the next year. Any changes would then be implemented through the 2024/25 budget process.

In response to the Chair's query regarding vacant units in the Gorton Hub, it was stated that it was decided to include a second floor on the Hub during the design phase as it was felt that this would be cost-effective if the building was let and that there was demand for office space. The Deputy Chief Executive and City Treasurer was confident that the vacant units would be let through the reconfiguration of council offices and as the Hub became established and attracted potential occupants for partnership working.

Decision:

That the report be noted.

RGSC/23/10 Housing Revenue Account (HRA) 2023/24 to 2025/26

The committee considered a report of the Deputy Chief Executive and City Treasurer, the Strategic Director (Growth and Development) and the Strategic Director (Neighbourhoods) which outlined the proposed Housing Revenue Account (HRA) budget for 2023/24, an indication of the 2024/25 and 2025/26 budgets, and the outlook for the 30-year HRA business plan in light of the budget proposals.

It also sought Executive approval to increase rents in line with current Government guidance of restricting rent increases to a maximum of 7% for all properties, except

PFI properties, where standard increase of CPI +1% (11.1%) was proposed, also in line with Government policy.

Key points and themes within the report included:

- Social rents were subject to annual increases aligned to a national rent policy, which was usually up to the consumer price index (CPI) plus 1%. The cost-of-living crisis resulted in the Government launching a consultation exercise and it had been advised that the maximum social rent increase would be capped at 7%, with an exception for properties within PFI contracts;
- As a result of increased numbers of Right to Buy; the in-house management of the Northwards Housing stock; overspends on repairs and maintenance; heating charges; and PFI contractor costs, it was forecasted that expenditure would be £14.940m higher than income and this would need to be funded by additional use of reserves;
- The HRA budget complied with the statutory requirement to be in balance over the three-year budget strategy period, although there was a small deficit over the course of the 30-year business plan;
- The average weekly rent, including increases, which would come into effect from April 2023;
- Housing benefit levels had not been capped and the proposed rent increases would be covered in full for those residents in receipt of 100% housing benefit entitlement, and tenants in receipt of universal credit would also be partially protected from the impact of any increase in rents; and
- The impact over the life of the business plan of the proposed 7% rent increase for all properties, except PFI properties. At the end of 30 years the deficit with a 7% increase for all properties and 11.1% increase for PFI properties is c£19m, but if rents for every property were increased by 11.1% the position after 30 years shows a £123m improvement to a c.£104m surplus.

Key points and queries that arose from the committee's discussions included:

- Noting the major impact of raising rents by 7%, as opposed to following usual practice and increasing by 11.1%, and the difference in revenue over 30 years because of this;
- Whether loss of rent income as a result of bringing voids – properties which have been unoccupied for a period of time – back into use and retrofitting properties was accounted for in the 30-year business plan;
- Whether there was a procedure in place to refer tenants applying for the HRA hardship fund to the Corporate Core hardship fund to maximise resources; and
- Why the anticipated savings from the decision to bring Northwards-managed housing back into the Council had not been fully realised, and whether this would have affected the decision had it been known at the time.

The Executive Member for Housing and Development stated that the cost-of-living crisis and rising inflation had a direct impact on the HRA and rent-level setting. He stated that the Government's instability and lack of attention on housing issues was causing local impacts in Manchester. He explained that the HRA was used to undertake repairs, maintenance, fire safety works, retrofitting and zero carbon improvements to 12,500 properties which were managed by the Council. Approximately 60% of tenants were in receipt of Housing Benefit or Universal Credit and would have their rents covered either in full or in part and it was proposed to significantly increase the hardship fund within the HRA from £200k a year to £1million, which he explained would be targeted at those most in need. He also stated that increases in communal heating charges were previously capped at 20% but recent rises in energy costs had impacted this and an increase was proposed.

In response to a member's query, the Executive Member for Housing and Development confirmed that any loss of rent as a result of retrofitting had been factored into the HRA business plan. He emphasised the Council's aim to improve homes to ensure properties were cheap to run and heat and that this could mean that the turnaround time for bringing voids back into use could be longer as a result of insulation and other energy investment works. He highlighted that a significant amount of work was being undertaken to reduce the number of voids.

The Executive Member for Housing and Development acknowledged the importance of referring residents to the Council's support fund and that social, council and PFI tenants may be eligible for this. This would be communicated, and support would be maximised across the Council.

The Head of Finance for Corporate Core and Strategic Development explained that of the proposed savings from bringing the Northwards housing stock back in-house identified in the original business plan, around £1.6million had been realised to date. He reflected that some proposals within the retained business case were not realisable or deliverable, such as the closure of neighbourhood offices. He stated that the move to in-house management had begun to stabilise, and the efficiency of the operating model was being assessed to ensure an effective service going forwards. The Director of Housing Operations reiterated this and explained that it was within a different context from previously given the new Social Housing Bill and Regulatory Framework.

The Executive Member for Housing and Development stated that this would not have altered the decision to bring the Northwards housing stock back in-house and highlighted that over 90% of 1500 responding tenants initially surveyed were in favour.

He also stated that further savings would be made as leases on neighbourhood offices expired and were consolidated with existing premises.

Decision:

That the report be noted.

RGSC/23/11 Changes to Council Tax Charges for Unfurnished and Empty Properties and Second Homes

The committee considered a report of the Deputy Chief Executive and City Treasurer which considered the impact of the Government's plan to introduce further discretionary powers for Councils to charge the 100% long term empty premium on empty and unfurnished homes after one year instead of two from 1 April 2024 and to charge a higher rate of Council Tax for empty, furnished properties (including second homes) from 1 April 2024.

Key points and themes within the report included:

- The proposal to introduce a 100% premium on empty, furnished properties (including second homes) from the date they become empty could provide an increase of up to £4,611,438 in Council Tax and charging the Long-Term Empty premium after one year instead of two could provide an additional increase up to £1,227,198;
- Since 2019, a 100% premium had been charged on properties left empty and unfurnished for over two years; a 200% premium on those empty for between five and ten years; and a 300% premium on those empty for more than ten years;
- There were 733 properties in Manchester that had been empty and unfurnished for 1-2 years, 2,846 properties that were classed as empty and furnished for twelve months with no change to the liable person and a further 2,525 properties that had been empty for less than 12 months;
- Charging the Long-Term Empty premium would encourage owners to bring properties back into use and the Council would also benefit from the New Homes Bonus as a result of this;
- Empty, unfurnished properties owned by Registered Social Landlords (RSLs) would not be affected by the addition of this premium as they qualify for a separate 100% discount due to their charitable status;
- These proposals would be open to public consultation as part of the wider budget consultation exercise; and
- The Council was proposing to adopt the power to increase the charge on empty, furnished properties, but defer a final decision to use it until the consultation exercise was complete and there was a better understanding of the effect of the changes and how the new powers may impact on the Council's wider housing strategy.

Key points and queries that arose from the committee's discussions included:

- Welcoming the proposed changes;
- Concerns that social tenants would have increased liability for council tax which would not be eligible for Council Tax Support where tenancies overlap;
- Whether council tax would continue to be charged where a resident has had to vacate their property due to ongoing cladding and fire safety remediation works;
- Issues around 'phantom tenancies', where a landlord claims that a tenancy was in place to refute council tax liability but there is no record of such;

- Whether the Council was still able to issue Empty Dwelling Management Orders, to assume control of long-term unoccupied properties and bring them back into use;
- Noting the significant number of properties in Manchester where the Council Taxpayer is deceased, and what influence the Council to encourage beneficiaries to bring these properties back into use;
- Issues around short-term and holiday lets such as Air BnB; and
- The Council's relationship and influence with Registered Providers to address long-term voids.

The Head of Corporate Revenues explained that the proposed legislation change would allow local authorities to charge a higher rate of council tax on different categories of empty properties. This would include second homes and those empty between tenancies.

The Head of Corporate Revenues explained that the Council had a discretionary hardship fund for residents struggling to pay their council tax and that the Council could address the habit of Registered Social Landlords allowing overlapping tenancies, which caused issues with residents being liable for additional council tax and ineligible for council tax support at one property.

In response to a query regarding whether council tax would continue to be charged where a resident has had to vacate their property due to ongoing cladding and fire safety remediation works, it was confirmed that council tax exemption was applied where a property was deemed unfit to occupy by an official body or organisation, such as the fire service, and a resident would only be liable for council tax at the property which they temporarily occupy. There was no exemption class for properties which the resident chose to vacate the property of their own volition, although the Council had the power to make local variations through the Executive.

The Head of Corporate Revenues explained that anecdotal evidence suggested that 'phantom tenancies' operated in Manchester. This was addressed by requesting proof of tenancy, such as an energy bill, and checking Experian to identify if the landlord was liable for council tax during a specific period. Some difficulties in this were acknowledged due to Manchester's status as a national and international destination.

The Deputy Chief Executive and City Treasurer also highlighted that the proposed changes would come into effect from April 2024 and some questions around this had been factored into the second phase of the budget consultation, which was underway. This would ensure that there were no unintended consequences as a result of implementing the policy and would enable any issues like those raised by committee members to be addressed prior to implementation.

In response to a question from the Chair regarding the Council's influence to encourage beneficiaries to bring properties back into use where the Council Taxpayer was deceased, the Head of Corporate Revenues confirmed that the

Council monitored whether probate had been awarded where a Council Taxpayer had passed away. Further information on the impact of probate applications on council tax exemptions would be provided following the meeting.

The Head of Corporate Revenues explained that upon the introduction of the long-term empty council tax premium in 2013, residents who contacted the council to complain about an empty property were signposted to the Council's Empty Properties Team, who were able to advise on available grants to bring empty properties back into use, although it was noted that austerity measures had impacted this.

The Executive Member for Housing and Development advised that Empty Dwelling Management Orders (EDMO) were still in operation, although restricted under the Conservative-Lib Dem coalition government, and used where a property had been empty for a minimum of two years and met other criteria. He explained that Compulsory Purchase Orders (CPO) could also be utilised in certain situations, and he reflected that there were 6000 empty properties in 2017 compared to less than 2000 currently.

Much of the discussion focused on short-term and holiday lets, such as those advertised by Air BnB. The Head of Corporate Revenues explained that the Council did not have information on how many empty properties in Manchester were being advertised on Air BnB as addresses were not displayed on the Air BnB website and officers had contacted the company to no avail.

Members were also advised that some holiday homes would be liable to pay business rates where they were let or advertised to let for over 140 days a year. This would be beneficial to the Council where a company had several properties to let but it was acknowledged that an individual leasing out one property would be eligible for business rates relief.

In response to a suggestion that members could provide information on suspected Air BnB properties within their wards, members were encouraged to contact an officer in the Strategic Housing team who was leading on this work. The Executive Member for Housing and Development explained that there was no mandatory registration system for Air BnB which made it difficult for the Council to know which properties were being used as short-term lets. He also advised that some work to collate a database had been undertaken with residents in Moss Side and that information was cross-referenced with House in Multiple Occupancy (HMO) Licensing and planning applications for changes of use.

The Council also responded to a national consultation undertaken by the government last year on short-term lets and requested that the government introduce mandatory registration.

The Head of Corporate Revenues explained that empty social housing properties were exempt from paying council tax. The Executive Member for Housing and Development also stated that the Council worked closely with the registered providers in Manchester and would be concerned if social housing properties remained empty in the long-term, given the number of people on the Housing Register, although he noted that many registered social landlords also aimed to get stock back into use quickly. He also explained that the Council had an agreement in place with larger registered providers to ensure that isolated stock would not be sold into the private market and would be sold to other providers to maintain.

Decision:

That the report be noted.

RGSC/23/12 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.

The Chair reminded members that the next meeting would be held on Monday, 27 February at 10am. He also highlighted that there were two substantive items included on the work programme for the meeting in May, in addition to the annual work programming session.

Decision:

That the report be noted and the work programme agreed.