



Resources and Governance Scrutiny Committee

Date: Thursday, 7 December 2023

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension

Everyone is welcome to attend this committee meeting.

There will be a private meeting for committee members only from 9:30am on Thursday, 7 December 2023 in Room 2006, Level 2, Town Hall Extension.

Access to the Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension.

There is no public access from any other entrance.

Filming and broadcast of the meeting

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Membership of the Resources and Governance Scrutiny Committee

Councillors - Simcock (Chair), Andrews, Brickell, Connolly, Davies, Evans, Kilpatrick, Kirkpatrick, Lanchbury, Rowles, Stogia and Wheeler

Agenda

1. Urgent Business

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

2. Appeals

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

3. Interests

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

4. Minutes

To approve as a correct record the minutes of the meeting held on 9 November 2023.

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5. Annual Property Report

To Follow

6. Capital Programme - Impact of Recent Market Changes and Budget Process

15 - 24

Report of the Deputy Chief Executive and City Treasurer.

This report provides an update on the impact of recent changes in financial and construction markets on the capital programme and provides an update on the proposed capital budget process for 2024/25. The report also highlights the increased Government and public scrutiny of council capital programmes and borrowing approaches, following the issuing of several Section 114 notices as a result of poor capital investment decisions.

7. Update on the Autumn Statement

To Follow

8. Housing Revenue Account 2024/25 to 2026/27

To Follow

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

25 - 32

Report of the Deputy Chief Executive and City Treasurer.

This report advises on the methodology of calculating the City

Council's council tax base and business rates income for budget setting purposes for 2024/25, along with the timing of related payments and the decision on business rates pool membership. In line with previous years, the Chair of the Committee is requested to exempt various key decisions from call-in.

10. Overview Report

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Report of the Governance and Scrutiny Support Unit.

This report provides the Committee with details of key decisions that fall within the Committee's remit and an update on actions resulting from the Committee's recommendations. The report also includes the Committee's work programme, which the Committee is asked to amend as appropriate and agree.

Information about the Committee

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

The Resources and Governance Scrutiny Committee areas of interest include finances, Council buildings, staffing, corporate and partnership governance as well as Council tax and benefits administration.

The Council wants to consult people as fully as possible before making decisions that affect them. Members of the public do not have a right to speak at meetings but may do so if invited by the Chair. To help facilitate this, the Council encourages anyone who wishes to speak at the meeting to contact the Committee Officer in advance of the meeting by telephone or email, who will then pass on your request to the Chair for consideration. Groups of people will usually be asked to nominate a spokesperson. The Council wants its meetings to be as open as possible but occasionally there will be some confidential business. Brief reasons for confidentiality will be shown on the agenda sheet.

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Agenda, reports and minutes of all Council Committees can be found on the Council's website www.manchester.gov.uk.

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
Level 3, Town Hall Extension,
Albert Square,
Manchester, M60 2LA

Further Information

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

Charlotte Lynch
Tel: 0161 219 2119
Email: charlotte.lynch@manchester.gov.uk

This agenda was issued on **Wednesday, 29 November 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester M60 2LA

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Thursday, 9 November 2023

Present:

Councillor Simcock (Chair) – in the Chair
Councillors Andrews, Brickell, Connolly, Evans, Kilpatrick, Kirkpatrick, Lanchbury and Stogia

Also present:

Councillor Akbar, Executive Member for Finance and Resources
Councillor Moran, Deputy Executive Member for Finance and Resources

Apologies: Councillor Davies and Wheeler

RGSC/23/61 Minutes

Decision:

That the minutes of the meeting held on 12 October 2023 be approved as a correct record.

RGSC/23/62 Update on New Procurement Regulations

The committee considered a report of the Head of Integrated Commissioning and Procurement which provided an update on new procurement regulations and advised the committee of the implications for the Council's future procurement activity.

Key points and themes within the report included:

- Providing an introduction and background to the Procurement Bill 2022;
- Details of changes to procurement processes; supplier exclusion; resolving disputes over tenders; and social value;
- The likely impact of these changes;
- Opportunities for contracting authorities under the new regulations;
- New regulations on transparency and publication of data relating to procurement, including the implementation of a Transparency Platform;
- The establishment of the Procurement Review Unit and its purposes;
- Regulations for the Provider Selection Regime, which would come into effect on 1 January 2024; and
- Training on the new regulations.

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

- Whether the new regulations would make the procurement process more difficult;

- If the Procurement team were working with IT to ensure the correct systems were in place;
- Whether there would be any delay to the Council implementing the new regulations as a result of the establishment of central government's new Procurement Review Unit;
- If the new regulations would help to enable the Council to use local suppliers;
- The solution for the Council, given the national delay in implementing the National Procurement Policy Statement due to technical legal issues;
- The impact on resources arising from the new requirement to publish notices throughout the procurement lifecycle;
- Whether suppliers could be excluded at shortlisting stage;
- How value-for-money would be considered in the procurement process as a result of the new regulations;
- What kind of contracts would be subject to the 'light-touch approach' and why the government did not want to retain this;
- The grounds on which a supplier could legitimately challenge a contract award; and
- What information had been provided by the Cabinet Office on sharing best practice.

In introducing the item, the Head of Integrated Commissioning and Procurement emphasised the opportunities for the Council that arose from the new procurement regulations, such as taking a more commercial approach and increased transparency. He informed the committee that the new regulations would come into effect in 11 months and that communication and training would be undertaken during this period. He also advised that the Procurement service was fully staffed following recent recruitment.

The committee was advised that the Council had previously engaged with local suppliers to the greatest possible extent and that the new regulations did not reference dividing contracts into lots. The new regulations would allow the Council to take local priorities into greater account when awarding contracts, although the detail on this remained unclear. The Head of Integrated Commissioning and Procurement also advised that the Local Government Act 198,8 which stipulated that local authorities could not take non-commercial matters into consideration when awarding contracts, would be reworded to allow greater freedom.

In response to a query from the Chair, the Head of Integrated Commissioning and Procurement stated that the previous regulations were considered difficult and cumbersome and that the new regulations were less prescriptive and allowed authorities greater freedom. He noted that the Council could continue to take similar approaches to contracts as done previously. It was also stated that one aspect of the regulations remained unclear because the details of the regulations would be released over time but there was mention of the Council being able to take local priorities into greater consideration when awarding contracts.

The committee was advised that the Council had previously engaged with local suppliers to the greatest possible extent and that the new regulations did not reference dividing contracts into lots. The new regulations would allow the Council to take local priorities into greater account when awarding contracts, although the detail

on this remained unclear. The Head of Integrated Commissioning and Procurement also advised that the Local Government Act 1988 which stipulated that local authorities could not take non-commercial matters into consideration when awarding contracts, would be reworded to allow greater freedom.

Regarding central government's new Procurement Review Unit, members were informed that this was an enhancement of the current Public Procurement Review Service and would have significantly greater powers. The effect on this for the Council was expected to be miniscule, although the Head of Integrated Commissioning and Procurement noted that the Unit may be busy from the outset given that publicity of the new regulations was resulting in many SMEs and companies anticipating more contracts from local authorities at a time when local authorities will have tighter budgets.

In response to a query regarding the technical legal issues relating to the National Procurement Policy Statement, the Head of Integrated Commissioning and Procurement explained that it was proposed to amend wording within the new regulations to allow contract awards to be restricted in certain circumstances to companies within a county or London borough boundary. It was noted that some contracts, such as those with the NHS, could overlap county boundaries and the technicalities of this were still being agreed.

The Head of Integrated Commissioning and Procurement confirmed that there would be an implication on resourcing as a result of the new requirement to publish notices throughout the procurement lifecycle but reiterated that there had been significant investment into improving contract management and a tool which would flag expiry dates of contracts. The Commissioning Lead explained that the Council was already required to publish summary details of contracts over a value of £30k on a government website, to which the Council's procurement portal linked directly, and monthly spend over £500. The new regulations would require publication of performance monitoring for contracts worth over £5m.

The committee was advised that the Council worked closely with the Cabinet Office through the Local Government Association (LGA) and that the Head of Integrated Commissioning and Procurement chaired the LGA's national advisory group for procurement, which had discussed how sharing best practice would work in reality. Details of approaches to procuring various categories of spend had been provided by the government's commercial function and the Procurement Review Unit would work with the Crown Commercial Services, which provides frameworks for local authorities.

In response to a query regarding value-for-money, it was stated that previous practice had favoured the most economically advantageous tender, but the new regulations had revised this to the most advantageous tender, which would encompass price, quality, contribution to local economy and contribution to climate change targets. The Deputy City Treasurer stated that value-for-money remained paramount in the Council's activity.

It was noted that the current regulations lend to a drawn-out process for suppliers who may be unhappy with the outcome of a contract award, but the new regulations

would enable a more straightforward process to resolve disputes and a body would be established, linked to the Procurement Review Unit, to adjudicate such disputes.

The Commissioning Lead explained that the 'light-touch regime' principally applied to social care services and previously applied to healthcare services, although these were now subject to a different regime. He stated that the new competitive procedure applied a light-touch approach to most contracts and provided greater flexibility, which was retained under the new regulations. He further explained that the new competitive procedure was designed to emulate the 'light-touch regime' but a number of authorities, including the Council, advocated for an explicit regime for social care services. Members were informed that the Procurement Bill went further than the new regulations to ensure that there were strong grounds to not require competing tenders, such as in individual contracts where the service user's choice was taken into account and allowed the Council to make individual judgements on care packages.

The Deputy City Treasurer welcomed the Procurement Act and reiterated that the Council's procurement team was nearly fully staffed and had received requisite funding for a new contract management system, which would help with the implementation of the new regulations.

The Executive Member for Finance and Resources also welcomed the new regulations and recognised that this would simplify the procurement process, improve transparency, and could provide a pathway for new businesses and local companies to secure public contracts. He stated that the development of the new regulations demonstrated the improvements for residents that could occur when the government listened to local authorities.

Decision: That the report be noted.

RGSC/23/63 Social Value

The committee considered a report of the Head of Integrated Commissioning and Procurement which provided an update on the social value delivery of the Council and its wider partnerships.

Key points and themes within the report included:

- The work of the Social Value Governance Board;
- The introduction of a Social Value Co-ordinator role on a 2-year fixed-term contract;
- Updates on social value within contracts, including major contracts;
- Measurement of social value;
- Training and guidance;
- A refresh of procurement documentation, including Invitation to Tender documents;
- The Social Value Fund and projects which have benefited from this;
- Case studies from suppliers; and
- The work of the National Social Value Task Force.

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

- Welcoming the comprehensive appendices;
- How local members could work with their Neighbourhood teams to suggest projects that may benefit from social value;
- What the Key Performance Indicators (KPI) and monitoring process would be for the social value road map at appendix 4;
- If there was a link between the new procurement regulations and social value;
- Who was responsible for monitoring social value;
- How the success of social value delivery was communicated with residents, with particular reference to the Our Town Hall project;
- How members could get more social value embedded within their wards;

The Deputy Executive Member for Finance and Resources introduced the item and thanked the committee for their continued interest in the Council's social value work. She stated that the Council was continuing to lead on and deliver a wide range of social value and Manchester had the highest social value and zero carbon weightings in procurement than any other local authority in the country.

The Chair relayed a written representation from Councillor Reid to the committee, which commended the social value work undertaken by Morgan Sindall which was contracted for the development of Gorton Hub and Hammerstone Road. Councillor Reid stated that Morgan Sindall recruited local people to apprentices and placed great emphasis on mental health support for their employees. Local community groups had also been assisted in their projects by volunteers from Morgan Sindall.

In response to queries, the Commissioning Lead noted that further work was needed to identify local members' roles in identifying areas for social value work and this could be undertaken by the Social Value Governance Board. He explained that the brokerage workstream of the Social Value Governance Board Task and Finish Group tried to identify how the Council could connect opportunities with local need. This would be progressed with the Social Value Governance Board and the Head of Integrated Commissioning and Procurement advised that there had been discussion on how to link this with Neighbourhood Investment Funds.

The Commissioning Lead acknowledged that measurement of social value was a challenge for many authorities and partners and the Council was currently part of a Co-operative Councils' network which looked at social value measurement. This was a challenge because there were several measurement frameworks available, such as Themes, Outcomes, Measures (TOMS) although it was noted that this framework was difficult to use when measuring social value delivered by voluntary, community and social enterprise (VCSE) groups. He stated that there had been significant work undertaken in the last year to identify a more consistent measurement of social value and KPIs had been developed.

In response to a query regarding a link between the new procurement regulations and social value, the Head of Integrated Commissioning and Procurement stated that there was no reference to social value in the new regulations but that the Procurement Act supported social value delivery through the amendment to award contracts to the most advantageous tender.

The committee was advised that there was an internal resource or a social value portal which were responsible for monitoring the social value delivery of major projects through the collection and verification of data and this was something that officers wanted to embed into the management of all contracts. The Commissioning Lead also advised that a Social Value Co-ordinator had been recruited and would begin work in January 2024. This role was established following the success of a dedicated resource on other projects and would be responsible for liaising with teams across the Council to promote opportunities for social value and collate information on delivery.

The Commissioning Lead explained that Social Value Governance Board Task and Finish Group was seeking to improve communication on social value work and the Council's Communications team and wider corporate services, such as HROD, were involved in promoting this. The Head of Integrated Commissioning stated that the Council previously held annual social value event, but it was felt that this only reached those involved in social value work already and officers wanted to identify better methods of communication.

It was also noted that different industries were in different places with their social value work, for example the highways and construction sectors who had been delivering social value for a number of years.

The Deputy Executive Member for Finance and Resources thanked officers for their work and recognised the role of members in being best placed to identify areas in their communities that could benefit from social value. She reiterated that the Council was a leader on social value work and acknowledged that it was sometimes easier to communicate social value work on the Our Town Hall project than it was for highways projects but this was an area of consideration going forwards with a communications plan in development.

Decision:

That the committee

1. notes the report, and
2. requests that the next Social Value Update report includes further information on how social value work is communicated.

RGSC/23/64 2024/25 Budget Proposals

The committee considered a report of the Deputy Chief Executive and City Treasurer 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:

- An estimated budget shortfall of £46m was expected in 2024/25, £86m in 2025/26, and £105m by 2026/27;

- This gap would reduce to £1.6m in 2024/25, £30m in 2025/26 and £49m by 2026/27 after the application of approved and planned savings and the use of c£17m smoothing reserves in each of the three years;
- Changes to the Medium-Term Financial Plan;
- The resources available to the Council and those required;
- Additional directorate pressures;
- The planned public consultation on proposed council tax levels and savings and cuts measures;
- Next steps for the budget process;
- An overview of the service area and priorities of the Corporate Core directorate, including the base budgets for each service area for 2023/24;
- The savings plan for 2024-27 and further options for saving;
- Workforce implications, including a review of vacant posts, particularly those vacant for longer than 12 months, to determine which should be deleted with the least impact on service delivery;
- Additional funding of £1m had been allocated to offset the lower rental income that can be realised due to the Christmas Markets using a smaller footprint as a result of the temporary closure of Albert Square. This funding will then be used to meet some of the increased operating costs of running the civic estate once the Town Hall is reopened;
- Government grants and the income they provide;
- Future opportunities and risks;
- The indicative medium-term budgets by service area; and
- The indicative medium-term budgets by type of spend/income.

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

- Recommending residents read the Leader's letter to the Chancellor of the Exchequer prior to completing the Council's budget consultation;
- Noting that high inflation was costing the Council £21m per year, which was not recognised by the government;
- Expressing frustration at the lateness with which the Local Government Finance Settlement was provided;
- How many grants the Council was currently in receipt of, and how this compared to previous years;
- Why the costs for IT to move to a hybrid cloud solution were revenue and not capital spend;
- Why the year-on-year spend for cloud-based services increased and if there were any potential savings as a result of moving to a hybrid cloud solution;
- What work was underway to reduce the need for agency staff within the IT service;
- How eligible families were identified for the Household Support Fund 4 (HSF4) and how the Council could continue to provide such support if the government cut this funding in the future;
- How the Finance Settlement might affect the Greater Manchester Business Rates Retention pilot scheme;
- The staff pay award;
- Whether the government may offer inflationary assistance in order for the Council to maintain service delivery;

- Suggesting that the public consultation on the budget should reference where the Council had successfully made savings previously;
- Noting that most savings would be the result of deleting vacant posts, and querying at what point long-term vacant posts were identified for deletion; and
- Commending the work of officers and expressing concern over the growing funding gap in future years.

In introducing the item, the Executive Member for Finance and Resources stated that there had been warnings of budgetary pressures amongst local authorities since 2012 and the LGA had recently found that English councils were facing a shortfall of £4bn in the next financial year. He stated that Manchester was a well-managed council, despite having lost £443m of its overall budget since 2012, and that difficult financial decisions had been made at the appropriate time and smoothing reserves had been used prudently. He argued that the government did not value or recognise the work and services of local authorities and that budget cuts were driven by ideology which meant that councils like Manchester with higher levels of deprivation were more significantly impacted.

The Executive Member for Finance and Resources also advised the committee that the government's Autumn Statement would be provided on 22 November and the Leader of the Council had written to the Chancellor of the Exchequer to call on him to provide adequate funding for councils like Manchester and to end the practice of issuing Local Government Finance Settlements at the last minute, which did not provide any certainty or ability to plan for the future.

The Deputy City Treasurer explained that the challenges highlighted by the Executive Member had been compounded by the Covid-19 pandemic and rising inflation rates. He reminded members that a balanced budget for 2024/25 had been set as part of the 2023/24 budget process and this was based on the Council delivering £36m of savings and using £53m of reserves to ease pressure on frontline services. He advised that there was now a gap of £1.6m in this balanced budget and that a £49m gap was emerging by the 2026/27 financial year. He also advised that the proposals in the report aimed to protect investments made previously into street cleaning, neighbourhoods and cost-of-living support.

The Deputy City Treasurer advised that the Council was in receipt of around 200 grants and most of these were only guaranteed for the following year, which he stated made spending decisions and planning difficult. He also advised that there were overheads involved with receiving some of these grants, such as time and resource required to prepare and submit bids.

In response to queries regarding the budget for a hybrid cloud solution, the committee was informed that the Capital Programme was fairly mature and underpinned by significant borrowing, for which the Council had the budget to fund. He noted, however, that the capacity for borrowing was restricted due to high inflation rates. He explained that there was a drive to decrease the amount of on-premise IT hardware and to buy software services instead.

The Director of ICT explained that agency staff had been recruited where there was additional demand and there was work underway to review the target operating

model for IT. This would seek to identify continued demand and how this could be met by recruiting more permanent staff. He noted that contract resources were occasionally needed to provide specific skills for which the Council did not require on a long-term basis.

In response to a question regarding HSF4, the Deputy City Treasurer explained that this amounted to around £13m of funding per year and an allocation policy for this had been designed as part of the 2023/24 budget process. Around half of this funding was spent on administering Free School Meals and the Holiday Activities programme. There were also a number of targeted schemes such as food support.

He stated that the Council had a package of cost-of-living support measures which would be retained, although some of this budget would be used to fund the increase in the Council Tax Support Scheme discount and he recognised that it would be challenging if the HSF4 scheme was to end. The Head of Finance explained that there was a criterion of residents who would be supported through HSF4, including disabled households and the elderly, and that work was ongoing to review the Council's support packages with a report to this committee in January 2024 which would set out the future model of support.

The Deputy City Treasurer explained that the GM Business Rates Retention Pilot scheme would continue for 10 years as part of the Devolution Trailblazer and that this had been factored into the Medium-Term Financial Plan. He advised that the Council tended to be compensated for any business rates relief schemes and that there was an ongoing government consultation on proposed changes to the indexation rate.

It was also confirmed that this year's staff pay award had been agreed and would be a flat fee increase of £1,925 again. There were indications that future pay awards may revert to previous practice of a 2.2% increase, but the Council had prudently budgeted for a 4% increase.

In response to a member's question, the Deputy City Treasurer stated that he did not anticipate the government providing financial help for rising inflation costs. He also stated that officers were proposing to begin work on the 2025/26 budget soon after this year's budget had been approved.

Regarding the proposed deletion of vacant posts, the Deputy City Treasurer explained that a lot of work was underway on this. He acknowledged difficulties in recruiting to certain posts and stated that part of this work included challenging service areas on the need to keep posts that had been vacant for more than 12 months. He noted the need to approach this sensitively and confirmed that more detail on this would be provided in February 2024. A member also suggested that this information should be broken down into service areas for greater clarity.

In closing the item, the Executive Member for Finance and Resources commended officers for their dedicated work and reinforced the importance of a sustainable budget for residents.

Decision:

That

1. the report be noted, and
2. the committee requests that information on vacant posts which could be deleted be broken down by service area in the next Budget report.

RGSC/23/65 Overview Report

The committee received a report of the Governance and Scrutiny Support Unit which provided details of key decisions that fell within the Committee's remit and items for information previously requested by the Committee. The report also included the Committee's work programme, which the Committee was asked to amend as appropriate and agree.

A member noted the responses to recommendations made at the previous meeting and wished to place on record her thanks to officers in HROD for this.

Decision:

That the report be noted and the work programme agreed.

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 7 December 2023

Subject: Capital Programme – Impact of Recent Market Changes and Budget Process

Report of: Deputy Chief Executive and City Treasurer

Summary

This report provides members with an update on the impact of recent changes in financial and construction markets on the capital programme and provides an update on the proposed capital budget process for 2024/25.

The report also highlights the increased Government and public scrutiny of council capital programmes and borrowing approaches, following the issuing of several Section 114 notices as a result of poor capital investment decisions.

Recommendations

The Committee is recommended to note the contents of the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city	Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.
Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth	The capital programme includes investment in highways infrastructure, and broadband expansion.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None.

Financial Consequences – Capital

None.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Telephone: 0161 234 1017
E-mail: tom.wilkinson@manchester.gov.uk

Name: Tim Seagrave
Position: Commercial Finance Lead
Telephone: 0161 234 3445
E-mail: tim.seagrave@manchester.gov.uk

Name: Kirsty Cooper
Position: Group Finance Lead
Telephone: 0161 234 3456
E-mail: kirsty.cooper@manchester.gov.uk

Background documents (available for public inspection):

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

- Report to the Executive 15th February 2023 – Capital Strategy and Budget 2023/24 to 2025/26
- Report to the Executive 15th February 2023 – Treasury Management Strategy Statement 2023/24
- Report to the Executive 15th November 2023 – Capital Programme Monitoring 2023/24

1.0 Introduction

- 1.1 The purpose of the report is to provide members of the Committee with an update on the capital programme in the context of recent market changes, specifically inflation and interest rate increases, and to provide an update on the capital budget process for 2024/25.

2.0 Background

- 2.1 The Executive approved the Capital Budget for the period 2023/24 to 2026/27 in June 2023 as part of the Capital Outturn Report. Since then, subsequent capital budget update reports have been to the Executive and the current forecast for the approved programme over this and the next 3 years is £920.4m.
- 2.2 Since the start of 2022 the rate of inflation has increased significantly, with the construction industry particularly affected. The Council has continued to see costs rise across the programme, with some projects seeking budget increases given the severity of the cost increases. The Bank of England has sought to use monetary policy to curb inflation and has therefore increased interest rates away from the historic lows. This, coupled with market expectations regarding the impact of inflation in the medium term, has seen the cost of additional borrowing for the Council increase.
- 2.3 Although the rate of inflation has begun to decelerate, the increase in construction costs persists, and relatively high interest rates remain and are currently forecast to only fall marginally over the next 12 months. This means that the Council's capital financing capacity is constrained.

3.0 Current Balance Sheet Position and Government Scrutiny

- 3.1 At the end of March 2023, the Council held external debt of c. £1.2bn and had a capital financing requirement (CFR) of c. £2.0bn. The CFR is the total value of projects funded by borrowing for which the Council has not yet made provision to repay the debt.
- 3.2 The difference between the CFR and external debt is known as internal borrowing and represents the value of reserves and working capital on the Council's balance sheet which have been used in lieu of debt, rather than holding cash and a higher level of external debt. At the point that a reserve is required for its intended purpose and spent, it is necessary to borrow externally, with any associated interest costs then being incurred.
- 3.3 For 2021/22, the latest financial year for which full statistics are available, the Council had the 4th highest CFR amongst English local authorities excluding combined authorities and police and fire authorities, and the 17th highest level of external debt. The Council is the 3rd largest metropolitan district in England, which suggests that the debt position is proportionate. The level of the Council's CFR and level of debt is affordable and the capital financing budget

is sufficient to allow the delivery of the current approved capital programme, with no increased call on the revenue budget.

- 3.4 There is a renewed focus across the local authority sector on financial sustainability given the challenging financial outlook for several councils. As noted in the recent capital monitoring report to Executive, both the Office for Local Government (OFLOG) and the Department of Levelling Up, Homes and Communities (DLUHC) are developing statistics which can be used to examine the performance of local authorities, including capital expenditure, debt, and financing costs.
- 3.5 The Capital Strategy must therefore be mindful of the impact on the Council's balance sheet of investment and borrowing decisions and ensure that such decisions are compliant with the CIPFA Prudential Code and are prudent, affordable, sustainable and proportionate.
- 3.6 The capital strategy is part of a suite of documents that is presented to Full Council for approval in March each year which includes the Treasury Management and Borrowing Strategy and Prudential Indicators which ensure compliance with the Prudential Code. Section 4 provides an assessment of the Council's position and assurance that the current programme is compliant with the Prudential Code.

4.0 Current Approved Capital Programme and Capacity

- 4.1 The current forecast for the approved capital programme as at the end of September 2023 is shown in the table below.

Manchester City Council Programme	2023/24	2024/25	2025/26	2026/27	Total All Years	All Years Variance to Current Budget
£'m						
Highways	39.3	20.5	4.8	4.4	69.0	-1.7
Neighbourhoods	42.8	11.7	2.8	0.0	57.4	-0.7
The Factory International and St John's Public Realm	54.4	0.0	0.0	0.0	54.4	0.0
Growth and Development	91.3	76.9	14.3	0.0	182.5	-0.7
Town Hall Refurbishment	64.3	86.2	20.4	0.0	170.8	0.0
Housing – General Fund	28.4	45.8	11.4	0.0	85.7	0.0
Housing – Housing Revenue Account	42.6	85.7	32.5	4.4	165.2	0.7
Children's Services	28.4	29.7	1.0	0.0	59.1	0.0

ICT	4.2	1.3	0.0	0.0	5.5	0.0
Corporate Services	4.3	0.5	0.5	0.0	5.3	0.0
Total (exc. Contingent budgets)	400.1	358.2	87.7	8.9	854.9	-2.4
Contingent Budgets	0.9	40.9	23.7	0.0	65.5	0.0
Total	401.0	399.1	111.4	8.9	920.4	-2.4

4.2 The programme represents continuing significant investment in the city and its infrastructure and contains projects at all stages of development and build. As noted above, the recent volatility in inflation and financial markets has had implications in terms of the costs of construction as well as the cost of financing.

4.3 In the year to September 2023 the Department for Business and Trade estimates that construction costs fell by 1.8%. However, this is in the context of construction prices in the previous 12 months increasing by 16.7%, meaning that costs remain at highly elevated levels. Indeed, in the three years since September 2020 it is estimated that construction costs have increased by nearly 39%.

4.4 Subsequently, over the last two of years, a number of requests to increase budgets on major projects have been approved by Executive and Council for cost increases caused by inflation. Whilst the forecast over the medium term is for inflation to subside, the price increases are not expected to reverse and therefore costs across the programme will stay at these higher levels. The risk of further inflation pressures across the programme therefore remains.

4.5 In parallel, and linked in part to inflationary pressures, financial markets have also seen significant volatility in interest rates. The cost of debt available to the Council from the Public Works Loan Board has on average more than tripled since December 2021, which means that ongoing revenue costs associated with additional borrowing have increased.

4.6 The financing of the programme above, including borrowing, is shown in the table below. It highlights the significant level of additional borrowing required to fund the approved programme.

	Draft Funding 2023/24 £m	Draft Funding 2024/25 £m	Draft Funding 2025/26 £m	Draft Funding 2026/27 £m	Draft Funding All Years £m
Grants	113.7	84.8	31.8	0.0	230.4
Contributions	17.0	19.6	1.5	4.4	42.6
Capital Receipts	41.4	39.4	18.7	0.0	99.4
Revenue Contributions to Capital	24.0	75.1	29.4	4.4	132.8
Capital Fund	4.6	1.0	1.3	0.0	6.9
Borrowing	200.4	179.2	28.8	0.0	408.3

Total	401.0	399.1	111.4	8.9	920.4
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- 4.7 As outlined above, it is important to note that the current approved programme remains affordable within the existing budgets available for capital financing across the period of the medium-term financial plan. The Council has prudently budgeted for capital financing costs across a number of years and built up a capital financing reserve from funding including underspends in the historic annual capital financing budget to smooth the effects of potential increases in interest rates. Specifically for Our Town Hall which accounts for a large portion of the borrowing requirement, a carefully planned strategy including the approach to the Minimum Revenue Provision (MRP) was devised to ensure that the additional revenue costs for the decant and the additional borrowing costs did not put any additional pressure on the revenue budget.
- 4.8 However, the combined impact of sustained construction cost increases and interest rates persisting at relatively high levels means that the affordability of the programme will continue to be monitored closely, and that future borrowing capacity is diminished.
- 4.9 Given the number of variables, including ongoing market volatility in both costs and interest rates and the timing of spend, calculating future financing capacity is extremely challenging. However, any additional borrowing capacity is now limited unless additional revenue budget is committed to fund capital financing costs, which would contribute towards an increased budget gap that the Council faces. There is also a need to ensure that the overall level of debt the Council has remains prudent and affordable in the longer term. It therefore remains prudent to adopt a more cautious approach to additional capital investment.

5.0 Proposed Financing Approach

- 5.1 Capital expenditure plays an important role in supporting the Council to achieve its strategic objectives, and therefore even in the context of a challenging financial environment there remains a drive to continue to invest in assets.
- 5.2 To maximise the use of resources, it is proposed that the following principles continue to be followed to ensure that the limited capital resources are clearly prioritised to achieve best value for money. If projects demonstrate that they support the achievement of corporate priorities, including both low carbon and social value, then they will be supported to proceed if:
- the project is fully funded by external grants and contributions;
 - the project generates additional capital receipts to the Council, so the impact on resources is minimal; or
 - the project will generate a robust net income stream or revenue savings that is sufficient to meet the associated capital financing costs and therefore be funded on an invest to save basis.
- 5.3 In addition the Council also has a capital disposals strategy. Understanding how existing assets are used, and opportunities to realise income from them, is critical to future capital investment capacity. To this end, the Strategic Asset

Management Plan (SAMP) has created a framework for the evaluation and review of the Council's assets, including the commercial estate and community assets.

- 5.4 The SAMP work seeks to create income to support the capital programme through the disposal of assets which are deemed to be surplus to the Council's requirements. These receipts can then be used to fund future capital investment. Given how property markets can be volatile, these receipts should not be committed for investment until they are realised and should be spent in arrears.
- 5.5 Additional unsupported borrowing will only be considered as a funding approach for a project as a last resort if there are no other funding sources available and the project is of critical importance to the Council. This will have to be funded from an increase to the capital financing revenue budget. Any impact on the Council's revenue budget will be clearly set out and form part of the decision making.
- 5.6 These principles will form a framework to support decision making and will be monitored alongside wider market conditions to ensure that the overall programme remains affordable and sustainable. If, for example, interest rates fell further than currently anticipated this might create additional investment capacity which could then be used to expand the capital programme further.
- 5.7 Work will also continue to identify and review how other income sources could be used within the programme, such as Section 106 receipts and maximising the use of external grant funding. This will include continuing to review all government funding streams available and seeking to bring fragmented funding streams together to complement investment proposals.
- 5.8 Under the Council's capital approval process, all potential investments are required to demonstrate that they are a strategic priority at an early stage of development, and the capital finance team work closely with project teams from project inception to seek to identify suitable and sustainable funding options.

6.0 Proposed Budget Approach

- 6.1 The Council's capital investment priorities are contained within the current Capital Strategy and reflect the Our Manchester Strategy. In summary they are:
- Investment into neighbourhoods and communities;
 - Investment in growth and regeneration;
 - Delivery of the Zero Carbon action plan;
 - Delivery of the Housing Strategy;
 - Maintenance of corporate assets; and
 - Investment in new and upgraded transport infrastructure

- 6.2 Capital investment proposals must support one or more of these priorities and must be affordable and sustainable within the capital and revenue budget.
- 6.3 The capital budget process has been refined and aligned more closely with the annual Council budget. The capital programme which is being developed will ensure an appropriate balance between:
- Asset based investment decisions, including corporate assets, driven by the Strategic Asset Management Plan. This will include the annual Asset Management Programme (AMP);
 - Delivery of infrastructure requirements, such as Highways, active travel and digital connectivity, historically the Council has used a significant amount of borrowing to support the Highways Capital programme;
 - Delivery of strategic priorities, including zero carbon, affordable housing, and ensuring there is capacity to invest in neighbourhoods; and
 - Grant and external contribution funded programme, if they support strategic priorities. Major parts of the capital programme including school maintenance and places and the highways programme are supported by government grants.
- 6.4 For the 2024/25 budget, given the market and capacity uncertainty, it is anticipated that additional capital investment proposals will be tightly focussed on a number of key priorities.
- 6.5 The Council has a large number of existing corporate assets on its balance sheet which require annual capital expenditure to keep the asset to a good standard. Last year a one-year programme was agreed for both Highways and the Corporate Estate and it is anticipated that an ongoing multi-year investment and asset management programme is established as part of the Capital Strategy reported to Executive in February.
- 6.6 It is expected that other schemes will come forward, provided they meet the funding criteria detailed at paragraph 5.2 above.

7.0 Recommendations

- 7.1 Members are asked to note the contents of the report.

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Manchester City Council Report for Information

Report to:	Resources and Governance Scrutiny Committee – 7 December 2023
Subject:	Setting of the council tax base and business rates shares for budget setting purposes
Report of:	The Deputy Chief Executive and City Treasurer

Summary

This report is to advise on the methodology of calculating the City Council's council tax base and business rates income for budget setting purposes for 2024/25, along with the timing of related payments and the decision on business rates pool membership. In line with previous years the Chair of the Committee is requested to exempt various key decisions from call in.

Recommendations

Members are asked to:

1. Note that the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated powers to:
 - Agree the estimated council tax surplus or deficit for 2023/24;
 - Set the 2024/25 council tax base for tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2013;
 - Agree the estimated business rates surplus or deficit for 2023/24;
 - Calculate the 2024/25 business rates income for budget setting purposes in accordance with the Non-Domestic Rating (Rates Retention) Regulations;
 - Determine whether the Council should be part of a business rate pooling arrangements with other Greater Manchester local authorities in 2024/25;
 - Set the dates of precept payments to the Greater Manchester Combined Authority in 2024/25.
 2. Note that the Chair of the Resources and Governance Scrutiny Committee will be requested to exempt various key decisions from the call in procedure.
-

Wards Affected:

All wards

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Background documents (available for public inspection):

- [The Local Government Finance Act 1992](#)
- [The Local Authorities \(Calculation of Council Tax Base\) \(England\) Regulations 2012.](#)
- [The Non-Domestic Rating \(Rates Retention\) Regulations 2013.](#)
- [The Non-Domestic Rating \(Rates Retention\) \(Amendment\) Regulations 2014.](#)
- [The Non-Domestic Rating \(Rates Retention\) \(Amendment\) Regulations 2016.](#)
- [The Non-Domestic Rating \(Rates Retention, Levy and Safety Net and Levy Account: Basis of Distribution\) \(Amendment\) Regulations 2020.](#)

1.0 Introduction

- 1.1 The Council is required to notify its precepting authorities on the council tax and business rates decisions as part of the budget setting process. These are required by prescribed statutory dates.

The four decisions are as follows:

- Agree the 2023/24 estimated council tax surplus or deficit by 15 January 2024;
 - Set the 2024/25 council tax base by the 31 January 2024;
 - Agree the 2023/24 estimated business rates surplus or deficit by 31 January 2024; and
 - Set the 2024/25 business rates base by the 31 January 2024.
- 1.2 The actual level of the council tax is subject to further approval and will be set out in the Council Tax Resolution report to Council in March 2024.
- 1.3 All the decisions and estimates will take account of the known impacts of the current economic climate and include forecasts for future financial implications.
- 1.4 In December 2020, along with the Provisional Settlement, Government announced billing authorities declaring deficits on their 2020/21 Collection Fund, as forecast in January 2021, were mandated to spread this deficit over three financial years (2021/22, 2022/23 and 2023/24). This applied to both council tax and business rates and removed any deficit due to additional relief and support relating to the pandemic, which was fully funded by section 31 grant. 2023/24 is the final year of this spreading impact which will be included in the estimated balance declared in January 2024.
- 1.5 The spreading of deficits does not impact on the underlying council tax and business rates base position.

2.0 Council tax surplus / deficit for 2023/24

- 2.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate the council tax surplus or deficit on their Collection Fund for the relevant year. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities.
- 2.2 The City Council is to notify the precepting authorities (the Police and Crime Commissioner, and the Mayoral and Fire and Rescue elements of the Greater Manchester Combined Authority) of its estimated Collection Fund surplus or deficit by 15 January 2024.
- 2.3 As the Council is required to use the most up to date information, which will be as at 31 December 2023, and to notify precepting authorities by 15 January 2024, there will be a request to the Committee Chair to exempt the decision

from call in. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the estimated council tax surplus or deficit.

- 2.4 In 2023/24, as part of a response to the cost-of-living crisis, Government introduced the 'Council Tax Support Fund' offering up to £25 discount on bills for residents in receipt of council tax support. The Council received £1.286m to award through a core and discretionary scheme. This grant will be transferred to the Collection Fund to match the reduced tax income at the end of 2023/24 so the Collection Fund is not distorted.

3.0 Setting of council tax base for 2024/25

- 3.1 Under Section 31B of the Local Government Finance Act 1992, the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, and amendments introduced by the Local Government Finance Act 2012, the Council is required to calculate its tax base for tax setting purposes. This calculation is to be based on the best available data, as at 31 December 2023. The City Council is required to notify the precepting authorities of its calculation for 2024/25 by 31 January 2024.
- 3.2 If the calculation has not been agreed by 31 January 2023 the regulations provide that the responsibility for calculating the council's tax base transfers to the precepting authority. They must calculate the tax base on behalf of the City Council, based on the information available. This information will include any recommendations of the Deputy Chief Executive and City Treasurer; it will also include any amount calculated by the Secretary of State for the purposes of distribution of government funding (referenda limits applied to the annual increase).

Basis of calculation of tax base

- 3.3 The calculation of the council tax base is, in essence, the number of dwellings within the Council's boundary presented as 'Band D equivalent'. This means dwellings falling outside Band D are converted into a proportionate Band D value based on the table below. Once the Band D bill is calculated and approved the individual band bills will be calculated on this apportionment.

Band	Proportion of Band D
Band A	6/9
Band B	7/9
Band C	8/9
Band D	9/9
Band E	11/9
Band F	13/9
Band G	15/9
Band H	18/9

- 3.4 The number of properties is adjusted to take account of discounts and exemptions including those for disabled occupants, single occupiers, students, other exempt dwellings, as well as reductions in accordance with the council tax support scheme, this will also reflect long term empty homes premiums. A further adjustment is made for non-collection of council tax.
- 3.5 The statutory timescale for undertaking the tax base calculation means that the tax base calculation for 2024/25 is based on best available information, which may be out dated by the time that the bills are issued in March 2024. Whilst this would not be an issue for most authorities, the fluctuating numbers of students and the transient population in Manchester make it difficult to forecast how many properties will be exempt, empty or occupied by a single person on 1 April 2024 and the forthcoming financial year. There will be more accurate student data available by the declaration deadline, as student discounts and exemptions tend to increase towards the end of the first academic term in December. Therefore, figures on which the tax base will be calculated to represent a 'best estimate' at a point in time.
- 3.6 The tax base calculation will include forecasts on the impact from the following, between 1 December 2023 and 31 March 2024:
- Base growth and new properties;
 - Properties listed for demolition;
 - Exempt properties (including all student households);
 - Disabled relief;
 - Single person discounts;
 - Empty properties;
 - New Long Term Empty property premiums from 1 April 2024; and
 - The council tax support scheme claimants with the enhanced offer from 1 April 2024.
- 3.7 Under the Levelling Up and Regeneration Bill, which received Royal Assent in October 2023, from 1 April 2024 authorities can apply a 100% premium on unoccupied, empty and unfurnished properties after one year, updated from two years. This will be included in the 2024/25 tax base calculation and is estimated to generate an additional £0.8m. The [key decision](#) was first published on 9 January 2023 and a final decision will be made by the Executive by 15 Feb 2023.
- 3.8 Prior to the introduction of the Council Tax Support Scheme on 1 April 2013 council tax benefit was classed as income within the Collection Fund and had no effect on the council tax base calculation. However, after this date the council tax base calculation must include an estimate of the amount of council tax foregone due to the support scheme and this estimate is based on the forecast number of claimants.
- 3.9 In 2024/25 the Council Tax Support Scheme will offer support for working age households up to a maximum 85.0% of council tax due. This is an increase of 2.5% from the 2023/24 level of 82.5% and will be reflected in the tax base calculation.

- 3.10 The council tax base for 2023/24 was estimated at 131,615.1 Band D equivalents, up 3,995.1 from 127,620.0 in 2022/23. The council tax base for 2024/25 will be calculated to reflect the most up to date position and support the key decision required. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the tax base for council tax setting purposes.

4.0 Business rates surplus / deficit for 2023/24

- 4.1 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any business rates surplus or deficit on their Collection Fund for the relevant year. Any such estimated surplus or deficit is shared between the billing authority and the Greater Manchester Combined Authority (the Greater Manchester Fire and Rescue Service).
- 4.2 The City Council is to inform Central Government (via the NNDR1 return) and the Greater Manchester Combined Authority by 31 January 2024 of its forecast business rates Collection Fund surplus or deficit.
- 4.3 As the Council is required to use the most up to date information, which will be as at 31 December 2023, and to notify Central Government and the Greater Manchester Combined Authority by 31 January 2023 there will be a request to the Committee Chair to exempt the decision from call in. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the estimated business rates surplus or deficit.

5.0 Basis of Calculation of business rates base for 2024/25

- 5.1 Since 2017/18 Manchester has been part of the Greater Manchester business rates retention pilot which means that 99% of yield will be retained by the Council and 1% paid to the Greater Manchester Combined Authority, for the Greater Manchester Fire and Rescue Service.
- 5.2 The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures a 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35.
- 5.3 The retained business rates income remains protected by a safety net and the Greater Manchester authorities, under the 100% Trailblazer Deal, are guaranteed 97.0% of their baseline funding level when compared to retained business rate income, which is adjusted to include section 31 grant and the tariff payment.
- 5.4 The starting point for the calculation is the estimate of gross business rates payable by business ratepayers in 2024/25. This includes a forecast for growth for businesses added to, or deleted from, the rating list in the forthcoming the year. This is adjusted by the forecast cost of mandatory

reliefs including small business rate relief, charity, community and amateur sports club relief, partly occupied relief and empty property relief. It is further adjusted for discretionary reliefs including the cost of relief to charities, non-profit making bodies and reliefs funded by a section 31 grant. This gross rate yield net of reliefs is then reduced by an allowance for the cost of collection, an estimate of non-collection, and the effect of checks, challenges and appeals against Rateable Values (RV).

- 5.5 RV is used to calculate business rates bills, and is designed to reflect the market rental values of properties as at 1 April 2021, known as the antecedent valuation date, under the 2023 rating list.
- 5.6 The calculation of the impact of appeals in 2024/25 will be based on data and information provided by the VOA, the government agency responsible for administering appeals, and from local systems. This will include outstanding appeals lodged with the VOA and a forecast of those still to appeal against this list, based on historic appeals data as well as known intelligence. Appeal volumes are volatile, particularly following the introduction of the reformed appeal process 'Check, Challenge and Appeal' in 2017, where a RV can be adjusted following a Check from a ratepayer, rather than progressing through the Challenge or Appeal stage, so these may not be included within shared VOA data. There is limited information available from the VOA for the new process; therefore, authorities are reliant on historical information and trends.
- 5.7 The Council continues to facilitate four Enterprise Zones where growth above the prescribed baseline is retained locally. Enterprise Zones offer business rate relief for up to 5 years (funded by government), simplified planning and capital allowances (tax relief) that aims to encourage new businesses to locate within the area. Changes in the rating list for properties in the enterprise zones are considered and reported separately.
- 5.8 From 2024/25, there will also be one Investment Zone and one Growth Zone in Manchester's boundary. These form part of the Greater Manchester Trailblazer Deal and similar to Enterprise Zones growth above a preset baseline will be fully retained locally for 25 years. Unlike Enterprise Zones, no tax incentives will be offered to businesses, but Government will provide £80m worth of funding over 5 years to be applied GM wide in line with Investment Zone policy.
- 5.9 The Non-Domestic Rating (Rates Retention) Regulations requires that the Council estimates the shares of business rate income for 2024/25 and notifies Central Government and the Greater Manchester Combined Authority of these amounts by 31 January 2024.
- 5.10 Given the requirement to notify Central Government and the Greater Manchester Combined Authority by 31 January 2024 there will be a request to the Committee Chair to exempt the decision from call in. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated power to agree the estimated business rates income for budget setting purposes.

6.0 Pooling of Business Rates

- 6.1 The Greater Manchester and Cheshire business rates pool, which included the ten Greater Manchester authorities and Cheshire East was established in 2014/15, with Cheshire West and Chester joining in 2015/16. The Pool was dissolved in 2020/21 due to the uncertainty and risk of collection linked to the pandemic; and a Pool was not reinstated in 2022/23 or 2023/24.
- 6.2 The purpose of pooling business rates across the individual authorities is not intended to alter individual authorities' income levels but to retain any levy that would have otherwise been paid by certain authorities to Central Government, as the ten authorities would be considered one entity for the purpose of calculating the safety net and levy. The levy is applied to the growth above the Baseline Funding Level for tariff authorities, namely Trafford Borough Council in Greater Manchester. The levy would then be retained locally by the levy authority and the Pool.
- 6.3 On 6 October 2023 the ten Greater Manchester authorities, along with the Greater Manchester Combined Authority, submitted an intention to decline the invitation to form a Pool in 2024/25, as this conflicted with elements of the Trailblazer Deal.
- 6.4 The decision on whether Manchester City Council should be part of the pooling arrangement is delegated to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resources.

7.0 Timing of Payments

- 7.1 Payment dates for the share of council tax payable to the Greater Manchester Combined Authority must be agreed and notified before 31 January 2024. The payment dates are proposed as the 20th of each month for 2024/25 or first working day thereafter, the same dates as 2023/24.
- 7.2 The Non-Domestic Rating (Rates Retention) Regulations state that the Council should make payments of business rates shares in accordance with the schedule of instalments. There is an option to agree different dates with the Greater Manchester Combined Authority if required. The payment dates are proposed as the 20th of each month for 2024/25 or first working day thereafter, the same dates as for 2023/24.

8.0 Recommendations

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

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 7 December 2023

Subject: Overview Report

Report of: Governance and Scrutiny Support Unit

Summary

This report provides the following information:

- Recommendations Monitor
- Key Decisions
- Work Programme

Recommendation

The Committee is invited to discuss and note the information provided and agree the work programme.

Wards Affected: All

Contact Officer:

Name: Charlotte Lynch
Position: Governance and Scrutiny Team Leader
Telephone: 0161 219 2119
E-mail: charlotte.lynch@manchester.gov.uk

Background documents (available for public inspection):

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

None

1. Monitoring Previous Recommendations

This section of the report contains recommendations made by the Committee and responses to them indicating whether the recommendation will be implemented, and if it will be, how this will be done.

Items highlighted in grey have been actioned and will be removed from future reports.

Date	Item	Recommendation	Action	Contact Officer
22 June 2023	RGSC/23/31 Major Contracts	That a more substantial report on Major Contracts be provided at the next update and include an appendix with more detailed information on each major contract and whether insourcing would be viable.	A response to this recommendation has been requested.	Mark Leaver
9 November 2023	RGSC/23/63 Social Value	That the next Social Value Update report includes further information on how social value work is communicated.	This request has been forwarded to officers for info.	Peter Schofield, Mark Leaver
9 November 2023	RGSC/23/64 Revenue Budget Update and Corporate Core Budget Proposals 2024/25	Information on vacant posts which could be deleted be broken down into service area in the next Budget report.	This request has been forwarded to officers for info.	Carol Culley, Tom Wilkinson, Paul Hindle

2. Key Decisions

The Council is required to publish details of key decisions that will be taken at least 28 days before the decision is due to be taken. Details of key decisions that are due to be taken are published on a monthly basis in the Register of Key Decisions.

A key decision, as defined in the Council's Constitution is an executive decision, which is likely:

- To result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates, or
- To be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the city.

The Council Constitution defines 'significant' as being expenditure or savings (including the loss of income or capital receipts) in excess of £500k, providing that is not more than 10% of the gross operating expenditure for any budget heading in the in the Council's Revenue Budget Book, and subject to other defined exceptions.

An extract of the most recent Register of Key Decisions, published on **27 November 2023**, containing details of the decisions under the Committee's remit is included below. This is to keep members informed of what decisions are being taken and, where appropriate, include in the work programme of the Committee.

Subject / Decision	Decision Maker	Decision Due Date	Consultation	Background documents	Officer Contact
Corporate Core					
Award of Electricity Supply contracts from existing Framework Agreements (2022/08/22A) To award a contract for the supply of Electricity from the	City Treasurer (Deputy Chief Executive)	Before 30 Sep 2022		Award Report	Peter Schofield, Head of Integrated Commissioning and Procurement peter.schofield@manchester.gov.uk, Walter Dooley, Group Manager - Energy walter.dooley@manchester.gov.

Council's existing HH (large sites) and NHH (smaller sites) frameworks via direct award to the incumbent suppliers.					uk
<p>Adopting new powers to increase the Council Tax on some empty properties (2023/01/09A)</p> <p>To consider whether or not to charge double Council Tax on empty furnished properties (including second homes) and empty, unfurnished properties that have been empty for between 1 and 2 years from 1 April 2024 onwards.</p>	Executive	15 Feb 2023		Report to Executive	Charles Metcalfe, Head of Corporate Revenues charles.metcalfe@manchester.gov.uk
<p>Irish World Heritage Centre - Loan re-financing and restructuring (2023/05/15A)</p> <p>To agree to the restructuring and refinancing of existing loan finance arrangements to ensure that there is an affordable and sustainable agreement in place</p>	City Treasurer (Deputy Chief Executive)	Not before 13th Sep 2023		Part B report to the Executive	Sarah Narici, Head of Programme Office sarah.narici@manchester.gov.uk

between the Council and the Irish Diaspora Foundation Limited.					
<p>TC979 Archival Storage, Non-Archival Storage and Scanning Framework (2023/06/08C)</p> <p>To seek approval to appoint a supplier to provide TC979 Framework for Archival Storage, Non-Archival Storage and Scanning</p> <p>The framework is split into 3 Lots as follows: Lot 1: Archival Storage Lot 2: Semi Active Records (Non-Archival) Lot 3: Scanning and Storage of Planning and Building Control Records and other Council Departments</p>	City Treasurer (Deputy Chief Executive)	Not before 8th Jul 2023		Report and recommendation	
<p>Power Purchase Agreement TC1162 (2023/07/04A)</p> <p>To appoint a developer for a long-term offsite virtual</p>	Executive	13 Dec 2023		Contract Report and Recommendation	Sarah Narici, Head of Programme Office sarah.narici@manchester.gov.uk

power purchase agreement with a wind or solar PV developer with a project that has REGOs that are valid for the Council's Scope 2 reporting (i.e. REGOs that are valid within Great Britain.					
<p>TC936 - Nutanix On-Premise Hosting Platform Replacement (2023/10/02A)</p> <p>To provide hardware support and software subscription to replace the current Nutanix Platform before it reaches the end of its working life in March 2024.</p>	Deputy City Treasurer	Not before 1st Nov 2023		Contract Report	
<p>Enterprise Resource Planning Software (2023/10/06A)</p> <p>To award a contract for new Enterprise Resource Planning software to support finance, HR, procurement and related</p>	City Treasurer (Deputy Chief Executive)	Not before 3rd Nov 2023		Report and Recommendation	Tom Wilkinson, Deputy City Treasurer tom.wilkinson@manchester.gov.uk

functions.					
<p>TC473 - Supply of Gas (2023/10/13A)</p> <p>To implement a new framework to allow for future call-off contracts for the supply of gas to MCC's corporate estate, and for associated organisations (e.g. Manchester schools etc).</p>	City Treasurer (Deputy Chief Executive)	Not before 13th Nov 2023		Report and recommendation	
<p>Council Tax Balance for 2023/24 (2023/11/3B)</p> <p>Agree the estimated council tax surplus or deficit for 2023/24</p>	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Council Tax Balance report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk
<p>Business Rates Balance for 2023/24 (2023/11/3C)</p>	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Business Rates Balance report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk
<p>Council Tax Base for 2024/25 (2023/11/3D)</p>	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Council Tax Base report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk

Business Rates Base for 2024/25 (2023/11/3E)	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Business Rates Base report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk
Development and Growth					
Factory International Works (2023/06/28A) To approve capital funding for Factory International for works to achieve static completion	Executive, City Treasurer (Deputy Chief Executive)	26 Jul 2023		Report to Executive	Rebecca Heron, Strategic Director (Growth and Development) rebecca.heron@manchester.gov.uk
Investment Property Management Services contract (2023/09/01A) Approval not to re-tender the Investment Property Management Services contract following expiration of the existing contract	City Treasurer (Deputy Chief Executive)	Not before 29th Sep 2023		Delegated Approvals Report	Richard Cohen, Strategic Lead - Development (South and East) richard.cohen@manchester.gov.uk

3. Resources and Governance Scrutiny Committee - Work Programme – December 2023

Thursday 7 December 2023, 10:00am (Report deadline Monday 27 November 2023)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Review of Investments being made by the Council into its Capital Strategy in terms of delivering future value-for-money post-COVID19	To receive a report on the Council's capital investments being made through the Capital Strategy in terms of delivering future VFM.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Tim Seagrave Jared Allen	
Annual Property Report	To receive the annual update on the work of the Estates and Facilities service (Corporate Core directorate) and the Development team (Growth and Development directorate), with particular reference to the use of agency staff.	Cllr Rahman (Statutory Deputy Leader) Cllr White (Housing and Development)	Carol Culley Becca Heron David Lord Richard Munns	
Housing Revenue Account 2024/25 to 2026/27	To receive a report on the proposed Housing Revenue Account (HRA) budget process for 2024/25 and a refresh of the 30-year business plan.	Cllr White (Housing and Development)	Tom Wilkinson Dave Ashmore	
Setting of the Council Tax base and Business Rates shares for	To receive a report that details the setting of the Council Tax Base and Business Rates shares for budget setting purposes.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Lee Owen	

budget-setting purposes				
Update on the Autumn Statement	To receive an update on the impact of the Autumn Statement on the Council's Medium-Term Financial Plan and budget.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Sam McArdle	Full item deferred from November 2023 meeting.
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

Thursday 11 January 2024, 10:00am (Report deadline Friday 29 December 2023 to account for Bank Holiday)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Budget Settlement 2024/25	To receive a report on the Provisional Local Government Finance Settlement to outline the impact on the Council's budget position for 2024/25.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Sam McArdle	
Council Tax Support Scheme Consultation Responses	To receive an update on the public consultation responses to the approved Council Tax Support Scheme recommendations.	Cllr Akbar (Finance and Resources)	Carol Culley Lee Owen Matthew Hassall Charles Metcalfe	
Outcome of Feasibility Study into the use of Enforcement Agents	To receive a report that presents the outcome of a Feasibility Study into the use of Enforcement Agents, as recommended by the Committee.	Cllr Akbar (Finance and Resources)	Carol Culley Lee Owen	See minutes of 7 Sept 2023 meeting.
Sales Fees and Charges	To review the Council's commercial activities through trading operations and the setting of fees and charges.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Paul Hindle	
Commercial Activity Update	To receive a report on the performance of the portfolio of Council commercial activities, including companies, Joint Ventures, loans, equity investments and development agreements.	Cllr Akbar (Finance and Resources) Cllr White (Housing and Development)	Carol Culley Tom Wilkinson Sarah Narici David Lynch David Lord	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

Thursday 8 February 2024, 10:00am (Report deadline Monday 29 January 2024)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Elections Act 2022 Update	To receive an update on the position of Tranche 2 changes that have been implemented following the Elections Act 2022, including changes to absent voting, postal vote handling and a timescale for future changes.	Cllr Craig (Leader)	Fiona Ledden Clare Travers	
Our Manchester Strategy	To receive a report on the scope of the refreshed Our Manchester Strategy.	Cllr Craig (Leader)	James Binks	
Revenue Budget Update and Corporate Core Budget Proposals 2024/25	To receive and consider the final 2024/25 budget proposals that will go onto February Budget Executive and Scrutiny and March Council.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Paul Hindle	
Housing Revenue Account 2024/25 to 2026/27	To receive a report on the Housing Revenue Account (HRA) budget for 2024/25 and a refresh of the 30-year business plan.	Cllr White (Housing and Development)	Carol Culley Tom Wilkinson Dave Ashmore	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

Monday 26 February 2024, 10:00am – BUDGET (Report deadline Wednesday 14 February 2024)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
The Council's Budget 2024/25	To receive an update on the Council's financial position following scrutiny of the draft budget proposals and Directorate budget plans by all Scrutiny Committees.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson	

Thursday 7 March 2024, 10:00am (Report deadline Monday 26 February 2024)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Manchester Heat Network Business Plan Update	To receive a performance update and the 2023/24 business plan for the Manchester Heat Network Special Purpose Vehicle (SPV), which is wholly owned by the Council. This report will also outline the SPV's approach to securing new customers to the network and the decarbonisation of the asset.	Cllr Akbar (Finance and Resources) Cllr Rawlins (Environment and Transport)	Carol Culley Tom Wilkinson Sarah Narici	Deferred from January 2024 with Chair's approval.
Manchester City Council Connections with the Greater Manchester Combined Authority (GMCA)	To update the committee on Manchester's connections with GMCA in terms of partnerships, governance, and financial arrangements.	Cllr Craig (Leader) Cllr Akbar (Finance and Resources)	Carol Culley James Binks Tom Wilkinson	
Manchester City Council Connections with the Greater Manchester Integrated Care System and the Manchester Locality	To update the committee on Manchester's links with the Greater Manchester Integrated Care System, including governance and financial arrangements.	Cllr Akbar (Finance and Resources) Cllr T Robinson (Healthy Manchester and Adult Social Care)	Carol Culley James Binks Tom Wilkinson	
Progress on Council Motions over last 12	To receive an update on the progress made in respect of motions that have been passed before Manchester City Council since the last update in	Cllr Craig (Leader) Cllr Rahman	Fiona Ledden	

months	March 2023.	(Statutory Deputy Leader)		
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

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