

**Manchester City Council  
Report for Resolution**

**Report to:** Resources and Governance Scrutiny - 4 February 2020  
Executive - 12 February 2020

**Subject:** Corporate Core Budget Report 2020/21

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

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**Purpose of Report**

This report provides a further updated Corporate Core medium term financial plan and budget proposals for 2020/21, and the report has been updated to reflect feedback from the January round of scrutiny meetings. The report should be read in conjunction with the Council's overarching Business Plan report.

**Recommendation**

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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**Wards Affected:** All

<b>Manchester Strategy Outcomes</b>	<b>Summary of the Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Maintaining growth in order to continue developing the City's trading relationships, making the case for investment in infrastructure and housing growth and the Northern Powerhouse, leading devolution negotiations and local government finance localisation opportunities and the Council's response to European Union exit process with government
A highly skilled city: world class and home grown talent sustaining the city's economic success	Lead on key programmes of reform such as work and health, providing support and responding to the continuing changes to the welfare reform agenda.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Drive leadership for reform, health integration and support for the delivery of all Council strategic priorities. Lead changes to the organisation to deliver Our Manchester through improved and more consistent management, engagement of staff and lean fit for purpose systems supported through ICT investment
A liveable and low carbon city: a	Effective prioritisation of investment in low carbon

destination of choice to live, visit, work	initiatives and leading the city's zero carbon ambitions and declaration of the climate emergency.
A connected city: world class infrastructure and connectivity to drive growth	Focus on the ICT infrastructure and resilience to deliver future efficiencies, enable improved ways of working and support devolution, health and social care integration and the changing shape of back office support for Manchester and other Greater Manchester Authorities.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

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### **Financial Consequences for the Capital and Revenue Budgets.**

The proposals set out in this report will be considered as part of the City Council preparation of the 2020/21 budget which will be submitted to the Executive on 12th February 2020.

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### **Background documents (available for public inspection):**

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

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



## 1. Introduction

- 1.1 This report provides the draft 2020/21 revenue and capital budget proposals for the Corporate Core. The proposed budget includes the outcome of a comprehensive review across all service areas in order to ensure that the existing budgets are realistic and sufficient to ensure that the service area can deliver its objectives and deliver the Corporate Plan priorities.
- 1.2 The report also includes those areas of service which are in the remit of Resources and Governance Scrutiny Committee but not within the Corporate Core, namely operational property, facilities management and the investment estate from within the Growth and Development directorate and details of these areas are set out in section 4 of this report.
- 1.3 This report presents a one year budget plan to reflect the Government's Spending Round for local government, it is in effect a roll forward budget from 2019/20, although a longer term budget strategy is being developed that will ensure that Corporate Core services are delivered as efficiently and effectively as possible in order to protect the delivery of front line services.

## 2. Background and Context

- 2.1 The Corporate Core plays a key role in supporting the delivery of the Our Manchester Strategy and all eight Corporate Plan priorities, through providing a range of universal services, services which enable the wider organisation to function effectively and through specific and focused support to other parts of the Council to deliver the Corporate Plan.
- 2.2 This includes supporting relationships with a wider range of key partners across Manchester, Greater Manchester, nationally and internationally to enable delivery of all of **Our Corporate Plan priorities** and the wider vision for the city.
- 2.3 The Core has a direct delivery role in delivering our Corporate Plan '**well managed council**' priority theme. This is both through the provision of front line universal services and through providing effective support services.
- 2.4 The key universal services include:
  - Revenue and Benefits
  - Customer Contact Centre
  - Shared Service Centre
  - Coroners
  - Registrars
- 2.5 The Core has a strategic role to work with directorates across the Council and key partners to drive delivery of our key priorities in the corporate plan, including:
  - Manchester's approach to place-based reform - Bringing Services Together for People in Places

- Integration of Health and Social Care through partnership arrangements with the NHS
- Delivery of the Local Industrial Strategy which will deliver inclusive and green growth for the city of Manchester
- Delivery of Our Transformation - a new Council-wide portfolio of programmes which has been set up with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a 'well managed council'
- Continuing to ensure that the 'Our Manchester' approach is the way we do things here, rather than a thing we do
- Leadership for the Council's action plan to being zero carbon by 2038 at the latest, and support arrangements with partners to meet the city's ambition to live within the science-based carbon budget and be zero carbon by 2038 at the latest

2.6 The Corporate Plan priority of being a 'well managed Council' has the following priorities in the draft 2020/21 Council Business Plan:

*Delivery of 'Our Transformation'*

- Continue to deliver Our Transformation through strengthening accountability and the role of our managers, improving our ways of working including the introduction of key new ICT infrastructure, improving our processes and developing a longer term model for the core, leading to efficiencies
- Continue to deliver the strategic vision for the city by collaborating with internal and external partners to: create new strategies and policies; attract funding and resources; implement complex projects and programmes; and create effective strategic partnerships.
- Drive service reform across the Council and with partners and residents

*Delivery of High Quality Support Services*

- Provide financial support, insight and intelligence to maximise budgets and deliver on the Council's priorities
- Promote information as an asset working with stakeholders to recognise the importance of data and intelligence in decision making and development of service provision.
- Drive the Our People Delivery Plan, in particular work to:
  - Reduce sickness absence levels
  - Develop a more diverse workforce, at all levels, particularly in relation to Black, Asian and Minority Ethnic (BAME) and Disability representation
  - Support health and social care workforce integration and the Manchester Locality Workforce Plan
  - Create a strengthened approach to development, talent management and succession planning
- Support and enhance the reputation of the Council, through effective strategic communications, professional executive support for the Chief Executive and Senior Management Team and successful civic and ceremonial events and programmes.

- Provide stable, scalable, secure and resilient ICT services, including migration to the new data centre
- Deliver innovation and excellence in public sector legal services that provides value for money
- Provide a first class procurement service to the council and its partners, from supporting services in the upfront design to delivering successful contract awards
- Deliver key Corporate Estates projects and programmes including the refurbishment at Alexandra House, the refurbishment of Hammerstone Road, the Gorton Hub, the Asset Management Programme and support the Town Hall Project 19/20

#### *Front Line Service Delivery*

- Deliver all statutory services related to the registration of births, deaths and marriages and Coroner Services, and to meet the required statutory and non statutory targets.
- Deliver effective and efficient customer services and develop effective online systems which enhance the customer experience and support channel shift towards digital services where appropriate
- Provide support to residents and maximise the collection of money owed to the Council and manage the expected reduction in new claims and caseload driven by Universal Credit

2.7 In order to support the Corporate Core in the delivery of the Corporate Plan and the above priorities there are a number of proposals for both investment and use of resources included for consideration by Members and these are detailed below at section 5.

### **3. Revenue Strategy**

3.1 For 2019/20 the latest gross budget is £309.507m, with a net budget of £69.554m, and 1,823 full time equivalent employees. The table below provides a breakdown by service area and includes the movement from the original budget to revised budgets.

3.2 The main movements in gross budget are in respect of revenue and benefits and the allocation of cross cutting savings across service areas. The revenue and benefits movement in gross budget is due to the forecast reduction in numbers of claimants for rent allowances as people transition over to Universal Credit.

3.3 The Corporate Core revised net budget has increased by c£2.8m, and this is due to the allocation of £1.8m contingency budgets to meet the costs of the agreed pay award, £150k from non inflationary pay to meet increased Coroners costs, £0.840m virements to offset the Cross Cutting savings and a net £10k other minor adjustments.

**Table 1: 2019/20 Budget**

<b>Service Area</b>	<b>2019/20 Original Gross Budget £'000</b>	<b>2019/20 Original Net Budget £'000</b>	<b>2019/20 Revised Gross Budget £'000</b>	<b>2019/20 Revised Net Budget £'000</b>	<b>2019/20 Budgeted Posts (FTE)</b>
Legal Services	11,565	6,243	12,040	6,455	261.8
Elections	1,146	1,047	1,162	1,064	12.3
Coroners and Registrars	2,994	1,728	3,204	1,897	56.0
Executive	1,029	1,029	979	979	12.5
Communications	4,851	3,026	4,784	3,108	83.4
CEX Corporate items	2,271	1,627	2,152	1,358	0
Procurement and Commissioning	1,612	1,311	1,635	1,339	31.7
Revenue and Benefits	246,924	9,926	211,209	10,026	345.3
Financial Management	5,680	5,285	5,926	5,424	150.3
ICT	13,483	13,433	13,625	13,575	160.8
HR/OD	4,644	4,454	4,715	4,525	93.2
Audit, Risk and Resilience	1,732	1,399	1,847	1,434	42.8
Shared Service Centre	1,427	772	1,518	863	92.7
Capital Programmes	274	(199)	360	(113)	90.1
Corporate Services Corporate Items	381	314	550	256	0
Customer Services	4,108	4,007	4,267	4,198	175
Commercial Governance	469	246	475	252	6
Decriminalised Parking Enforcement	10,864	(649)	10,864	(649)	18
Bus Lane Enforcement	6,376	(334)	6,582	(334)	18
Policy, Partnership, Research and Culture	16,731	9,148	16,658	9,215	57.5
Performance, Research and Intelligence	4,536	4,404	4,667	4,535	101.2
Reform and Innovation	1,179	902	961	820	15
Cross Cutting Savings	(2,447)	(2,447)	(673)	(673)	0
<b>Grand Total Corporate Core</b>	<b>341,829</b>	<b>66,672</b>	<b>309,507</b>	<b>69,554</b>	<b>1,823</b>

3.4 The revised 2019/20 cash limit budget is £69.554m and this is net of £3.349m savings that were approved as part of the 2019/20 budget process. The Directorate is on target to deliver the proposed savings and is forecasting an underspend of £2.306m in 2019/20. The primary reason for the underspend is from employee related budgets, due to a combination of staff not being at the top of grade and vacancies across the service along with the timing of

recruitment and whether this has been internal or external. As part of the budget proposals within this report, a detailed analysis of the existing staffing budgets and the options available to review these to better reflect the staffing budget requirements has been undertaken. This will ensure all budgets are more realistic with expected activity; the outcome is set out in paragraph 3.9 below.

- 3.5 The subjective budget breakdown for the Core is provided at Appendix 1, this includes c£183m of Government Grants and this relates to the Government funding for Housing Benefit expenditure.
- 3.6 As set out above the report sets out a one year budget for 2020/21, however, the longer term implications have been considered and these will be reflected in the Medium Term Financial Plan.
- 3.7 As part of the work undertaken to review all Corporate Core budgets a **net total of £0.577m** has been identified that can support the wider Council budgets.

### Efficiency Proposals

- 3.9 The work that has been undertaken to identify budget options for 2020/21 has included the following strands:-
- A review has been undertaken of all Corporate Core staffing budgets in order to ensure that they are more reflective of the likely staffing costs.
  - All heads of service have been reviewing their budgets as part of the Our Transformation work which has included consideration of how efficiencies and service improvement can be achieved through looking at options for how services are delivered.
  - All Corporate budgets have been reviewed to identify opportunities whereby existing budgets can be revised in order to contribute to the overall Council budget position. There is a section on corporate budgets later in this report.
- 3.10 All staffing budgets have been reviewed across each service area looking at spend across the past three years. Currently staffing budgets are set using the top of each grade for all posts, and a percentage allowance reduction is made to reflect the anticipated turnover in staffing throughout the year. Based on the historic turnover it is proposed to introduce variable turnover allowances for individual services. The proposed percentages will vary from 2.5% to 6%. The overall savings proposed following this review is £0.801m from across the services in the Core.

Service Area	Vacancy Factor % increase
Policy, Partnership, Research & Culture	2%
Revenues and Benefits	2%
Performance, Research & Intelligence	2%

Communications	1%
ICT	1%
HR/OD	2%
Shared Service Centre	2%
Customer Services	2%
Audit	1%

Other work to identify efficiencies has been carried out as follows:

- 3.10 Revenues and Benefits and the Shared Service Centre - As part of the continued roll out of Universal credit and the increasing amount of administration that will be undertaken by the Department for Works and Pensions, as well as increasing requirements supporting the Council's strategic agenda including homelessness and the funding of supported housing and HB subsidy maximisation, a review of the existing capacity within the Revenues and Benefits Service is to be undertaken, taking into account the particular challenges associated with welfare reform policy roll out and changes. This will look to strengthen resources in some technical areas and reduce benefits processing resources in line with the reduced demand following the roll out of Universal Credit. A review of resources will also be undertaken with the Customer Service Organisation and the Shared Service Centre. From consideration of existing vacancies and the changes in workload the target is to achieve **savings of £400k** by 1 April 2020 from across all three services.
- 3.11 Schools particularly those converting to academies are undertaking more functions in-house such as recruitment, payroll and out-of-hours alarm monitoring. Whilst this has reduced the income to the council of £290k the Shared Service Centre has seen an increase in the technical advice it provides such as pensions and has therefore not been able to reduce resources to mitigate the income pressure.
- 3.12 The net position for Revenues and Benefits including the vacancy factor will be **£0.547m efficiency contribution** towards the overall council budget.
- 3.13 *Human Resources and Organisational Development (HROD)* - Human Resources currently undertake large amounts of data analysis in order to provide management information and prepare reports. Performance, Research and Intelligence (PRI) currently undertake this work for the rest of the Corporate Core and it is proposed to transfer the responsibility for this work to PRI which will also **achieve a net efficiency of £50k**.
- 3.14 As part of the three year 2017/20 budget strategy £3m savings were proposed from revisions to the Council's human resources policies, the changes were cross cutting across all departments. To date over £2.9m of savings have been delivered, and areas reviewed have included review of travel arrangements, the introduction of annual leave purchase scheme and reviewing of all vacant posts. There is a **small balance of c£96k** that is still to

be achieved. As part of the HROD cross cutting savings the option for staff to purchase additional leave was introduced and an initial savings target of £200k was approved in 2017/18. Due to the higher than forecast take up of the annual leave purchase scheme the target is exceeded annually by over £100k. It is proposed to **increase the annual budget for annual leave purchase by £96k** which will enable the final balance of the cross cutting saving to be achieved.

- 3.15 *PRI, City Policy and Reform & Innovation* - The services have been brought together under the leadership of the Director of Policy, Performance and Reform. As a result work has been carried out to consider how the functions can work more effectively together. The work and closer alignment of their workloads will enable a number of existing vacancies to be deleted to achieve **savings of £125k** against staffing budgets.
- 3.16 *Communications* - **£18k net savings** have been achieved through reviewing existing vacancies which will enable two posts to be deleted (£50k) and following the resignation of the former Director of Communication the proposed redesign of the senior structure will realise a further £18k. In addition, the current intranet is over 12 years old and does not provide staff with the necessary functionality and access to information. As part of the ICT investment strategy a procurement exercise has been undertaken for a new cloud hosted solution that will offer improved, intuitive functionality with universal access to all staff and partner organisations. As part of ensuring the new intranet is maintained there are increased annual ongoing running costs of c£50k and it is proposed that this will be met from the service efficiencies leaving a net saving of £18k.
- 3.17 *ICT* has delivered £1.140m of savings over the last two years and there are further proposed savings of £260k identified. This is because of the change in how the data centre operation will function in future years and the reduced associated annual running costs. It is proposed that rather than deliver saving to the revenue budget the £260k will be used to offset both the existing £1m income target from staff time charged against capital projects (£120k) and potential increased costs of licenses that are anticipated due to the move from on premise to cloud based, and the proposed changes to the collaboration platform (£140k). This will help ensure that the costs of delivering the capital investment programme are minimised and the ICT structure is sustainable in the longer term.
- 3.18 *Capital Programmes* are looking at opportunities for collaborating with other Local Authorities in order to help strengthen the capacity for delivery, and help share some specific resources. It is anticipated that this will save **£50k through the sharing of management costs and other overheads.**
- 3.19 *Commissioning and Procurement* - As part of the 2018/19 budget, cross cutting commissioning and procurement savings of £0.75m were approved. During 2018/19 the work was focused on supporting directorates in delivering savings through procurement in order to achieve the savings. The team has also undertaken significant work to improve contract management through the

creation of contract registers, revised processes to improve efficiency and work to improve systems. The £0.75m savings have been achieved in 2019/20, £275k were permanent savings through reductions in the price of utilities following procurement, and the balance (£475k) was made through one off savings, which included specialist audit work undertaken on payments made by the Council and some savings through staff vacancies. Work will continue to look for further efficiencies through procurement and commissioning and this will support all directorates in delivering their priorities. As part of the work to realign budgets across the Core it is proposed that the £475k balance will be offset against corporate efficiencies through the use of the historic pension contribution (£450k) and the reduction in external audit fees (£30k).

- 3.20 The budget for external audit fees is held corporately and the procurement of external auditors is undertaken on a regional basis. The annual audit fees payable for Manchester are going to **reduce by c£30k** compared with the fee payable in 2019/20.
- 3.21 The £0.5m savings target associated with the Our Transformation work has been fully achieved in 2019/20 through one off measures which consisted mainly of staff savings through vacant posts. The work carried out has identified the permanent measures to be implemented through realigning work, deleting vacancies and the other efficiencies set out above. This is shown in table 2.

### **Budget Pressures**

- 3.22 This section of the report sets out the budget pressures in the Corporate Core. These have been reported as overspends during 2019/20 and offset by vacancies and underspends in other areas. As part of the work to rebase the budgets across the Core it is recommended that the efficiencies identified above are applied to offset the following:
- 3.23 *The Coroners Service* - Although technically appointed by the Local Authority the Coroner is not an employee of the Local Authority but is an independent Judicial Office holder who holds office under the Crown although the service is funded through the Local Authority. Manchester is a particularly complex area given that it covers a large NHS Trust with leading specialist units, an international airport and a category 1 prison. There has been an ongoing pressure within the Coroners service due to an increase in both the complexity of cases being heard, and an increase in the volume of cases. Whilst a review of the Coroners service is to be undertaken to ensure that the service is as effective and efficient as possible there is currently a forecast **ongoing pressure of c£400k** that will need to be mitigated from 2020/21. If there are any savings identified as part of the review they can be used to support future budget planning cycles.
- 3.24 *Legal Services* - Due to the continuing increased caseloads the cost of legal support for Children's Services has continued to increase this year. The Strategic Director of Children's Services and the City Solicitor having

considered the cost drivers are working together to manage need, reduce the use of experts, streamline decision making/legal advice processes to create solicitor capacity. Children's Services and the Corporate Legal Service are working to address this position. For 2020/21 the Corporate Legal Service pressure of £300k will need to be mitigated to reduce the use of external legal services by improving the recruitment and retention of solicitors within the Council and to increase capacity to deal with more additional judicial review and age assessment challenges, this is in addition to the £0.6m investment proposed for Children's Services to address the need for legal services and to meet the requirements of the courts.

- 3.25 *Business Support* - As part of both reviewing the existing business support arrangements and the outcome of the recent job evaluation exercise undertaken to review existing salaries of a number of business support functions, given the increasing complexity of their roles the independent process determined that their existing salaries were not aligned to the roles that they were undertaking and the grades should increase. The overall increased costs are **£360k** and this budget increase will be reflected as part of the 2020/21 budget.
- 3.26 City Policy currently has a shortfall on their budgeted income targets of c£226k which is due to some Resources and Programmes officers no longer undertaking rechargeable work for both GMCA and other external projects. They are now primarily focusing on delivering the Council's corporate priorities such as the Our Manchester Funds and Cultural investments which are not rechargeable. In order to close the gap the service has reduced staffing budgets by £118k through deleting 1.4 vacant FTEs (£62k) and increasing the vacancy factor by 2% (£56k), it is also proposed to reduce non staff budgets by £68k. If these proposals are accepted it will leave a **shortfall of £40k**.
- 3.27 As a result of the continued improvement in council tax collection rates there has been a reduction in the number of enforcement summons issued for non-payment and this has reduced the level of assumed summons income within Revenues and Benefits by c£200k. The benefits of improved collection rates are reflected within the overall Council resources and it is proposed to realign these budgets as part of the overall budget process.

### **Corporate Savings Proposals**

- 3.28 Currently the Council pays the employers pension contribution on a monthly basis following each payroll run, the pension scheme have approached the Council and advised that if the pension payments are made up front for a period of three years the Council could benefit from a 0.9% reduction in the level of contributions, This equates to **£0.75m per annum**, and this would be used to support the Council budgets.
- 3.29 From reviewing all the historic corporate budgets there is **£450k budget saving** available through reducing the available budget to support historic pension fund contributions.

- 3.30 Increased rental income of £0.5m has been identified, this is due to the higher than forecast level of rental income received from Manchester Central.
- 3.31 The net efficiencies identified from the above are £0.577m, details are set out in table 2 below.

#### 4. Scrutiny Arrangements

- 4.1 As part of looking to support scrutiny committee with their roles all service areas from across the Council under the remit of each scrutiny panel have been included in one overall report.
- 4.2 This section includes both background and proposed budget changes for two service areas outside of the Core which form part of the remit for Resources and Governance Scrutiny Committee. They are operational property, facilities management and the Investment estate from Growth and Development. Budget changes arising from these are not included in the Directorate summary in tables 2 and 3.
- 4.3 **Operational Property** - The service has a gross budget of £12.2m and a net budget of £7.2m, and there are 36 full time equivalent employees within the service. The main responsibility is for managing and maintaining the Council's operational estate. The service will continue to manage the operational estate in the most efficient manner, but there are no proposed changes to the existing approved budget for this service in 2020/21.
- 4.4 **Facilities Management** - Provides the facilities management function across all the Council's properties, along with some external properties. The gross budget is £13.3m and the net budget is £9.1m and there are 176fte's. The service also engages a number of external contractors to provide some services that include repairs and maintenance and security services.
- 4.5 **Investment Estate** - continues to generate income from the for the Council despite the challenges faced in respect of increased competition for office accommodation across the City and changing behaviour in respect of retail activity. New opportunities to generate long term income will continue to be explored and evaluated along with ongoing reviews to ensure costs against the estate are controlled.
- 4.6 As part of the budget proposals facilities management has two pressures that need to be managed for 2020/21 and they are as follows.
- 4.7 Following a procurement exercise a new contractor (Engie) was appointed to undertake the repairs and management works for the Corporate Estate. As part of the changeover arrangements there are some additional transitional costs of c£300k, the contractor is continuing to look for ways of reducing this cost, but until this is done the additional costs are to be funded through existing facilities management budgets and virements will be undertaken to ensure budgets are correctly aligned.

- 4.8 Lloyd St toilets are the City Council only owned public toilets within the City centre and in order to ensure there is 24/7 facilities available within the city centre and to support the homeless agenda it has been agreed that Lloyd St toilets will be opened and in order to do this it was recognised that additional security would be required. The forecast cost of this is £155k per annum and the part year costs have been met from within existing budgets during 2019/20, but as part of the budget options additional resources of £155k are required to fund the ongoing costs and it is proposed that additional investment will be made from Corporate resources.
- 4.9 Investment estate are proposing to generate additional income of £490k in 2020/20 through the following:
- Manchester Airport Group (MAG) approached the Council in 2018 with a proposal to re-gear part of the main Airport leases in respect of their non-core investment assets and any increase in lease income is shared with the Greater Manchester districts. In order to facilitate this it is proposed that the Council grant a lease of these assets for a term of 275 years that will be on standard commercial terms capable of attracting investment to the assets. The grant of this lease has a significant value and the ground rent has been assessed at £0.603m p.a and agreed between the parties. **The additional income due to the City Council will be £340k per annum.**
  - The Council has been in commercial negotiation around leasing a currently vacant Council asset to new occupiers, it is expected that the annual lease income for these premises will be around **£300k per annum**, but because it is anticipated that new occupier will only take up the space around September 2020 there is currently **only £150k assumed in 2020/21** with a further £150k to be realised in 2021/22.

## 5. Priorities for Investment and Use of Reserves

- 5.1 *City Policy - Zero Carbon* - In order to deliver the city's zero carbon ambitions there will be a requirement for additional resources across a number of core areas this will include both staffing and non-staffing resources. The Council has committed to underwriting the cost of a new Chief Executive role at the Manchester Climate Change Agency for 1 year, subject to unlocking financial contributions (£196k) from other strategic partners in the city, in addition to the £104k costs of strengthening the existing climate change team. Other non-staffing requirements will include *Our City* Carbon Literacy Training for Council staff and additional service specific training and external expert advisors to support the programme. Therefore it is proposed an annual budget of £300k is established within the Core to support the delivery of this agenda.
- 5.2 *City Policy - Culture* - The Council has committed to maintaining funding of £1.5m per annum to support the Factory /Manchester International Festival as part of the commitment to match the c.£9m ongoing revenue support from the Arts Council England and other Government grants. The Corporate Core currently has a mainstream budget of £1m, and this is supplemented by £0.5m

every other year from the MIF reserve to support the costs of the operating costs of the MIF.

- 5.3 Delivery of the Council’s strategic development priorities such as the Northern and Eastern Gateways to the highest possible environmental standards, retrofitting social housing properties and retrofitting the Council’s operational estate will also require additional capital investment which is being picked up separately in the Capital Strategy.
- 5.4 *Revenues and Benefits* - £350k has been identified from within existing mainstream budgets to provide additional funding to help mitigate the implications of the welfare reform changes and increases in Council Tax. If this is agreed then more detailed proposals will be brought included in the February scrutiny report.
- 5.5 *Our Transformation* - Our Transformation work will require some additional investment into capacity to assist the council in reviewing, modernising and digitising its business processes. The Council has a reserve on the balance sheet to meet future transformation costs and it is proposed that £1m of this reserve is ring fenced to support the Our Transformation programme over the next three years 2020/21 - 2022/23. Use of the reserve and the anticipated future benefits will be reported back to Members as part of the Global Monitoring reports.
- 5.6 *Digital Transformation & Digital Cities* - Within the Capital Strategy it is proposed that £1m is earmarked from within the ICT strategy funding to support the Digital Cities agenda, there is also £250k earmarked within Corporate revenue budgets to support with additional capacity to progress with the longer term digital cities strategy.
- 5.7 Table 2 below sets out details of both investment and efficiencies from both Corporate Core directorate budgets, and other Corporate budgets. The Corporate core net change is £73k investment and this is reflected in table 3 below, in addition to this there are the following changes to the Corporate budget’s that are included as part of the budget proposals and these are included in table 2 below and reconcile to the overall £0.577m contribution to the wider council budgets;
- (£450k) - Historic pension contribution budgets
  - (£0.5m) - Additional commercial income
  - £300k - Additional legal costs - Children’s services.

**Table 2: Budget Proposals 2020/21**

Service Area	Description of Savings/ Efficiency Option	Amount £,000	FTE Impact (estimate)
Revenue and Benefits	Delete vacant posts	(400)	12
Revenue and Benefits	Changes to vacancy factor	(228)	
Shared Service Centre	Changes to vacancy factor	(63)	
Customer Services	Changes to vacancy factor	(145)	

Shared Service Centre	Reduction in income	290	
<b>Revenue and Benefits/CSC/SSC Net</b>		<b>(546)</b>	
HR/OD	Reduction in staffing	(50)	1
	Changes to vacancy factor	(85)	
<b>HR/OD Net</b>		<b>(135)</b>	
Chief Executive Corporate items	HR policy savings	96	
	Increase annual leave purchase scheme	(96)	
<b>CEX Corporate items Net</b>		<b>0</b>	
Performance Research & Intelligence (PRI)	Release of investment funding no longer required	(125)	
	Changes to vacancy factor	(91)	
<b>PRI Net</b>		<b>(216)</b>	
Communications	Delete vacant posts	(50)	2
	Changes to vacancy factor	(38)	
	Senior management changes	(18)	
	Intranet maintenance costs	50	
<b>Communication Net</b>		<b>(56)</b>	
<b>Capital Programmes</b>	<b>Increased income</b>	<b>(50)</b>	
Commissioning and Procurement	Realignment of commissioning savings	150	
Commissioning and Procurement	Reduced audit fee	(30)	
<b>Commissioning and Procurement Net</b>		<b>120</b>	
<b>ICT</b>	<b>Increase in vacancy factor</b>	<b>(76)</b>	
<b>Our Transformation</b>	<b>Reprofiling in delivery of savings</b>	<b>500</b>	
<b>Coroners</b>	<b>Investment to support increased caseloads</b>	<b>400</b>	
<b>Business Support</b>	<b>Investment to cover job evaluation implications</b>	<b>360</b>	
City Policy	Income pressure	<b>226</b>	
	Reduction in staffing	<b>(62)</b>	1.4
	Increase in vacancy factor	(56)	
	Reduction in non staff budgets	(68)	
<b>City Policy Net</b>		<b>40</b>	
Audit	Changes to vacancy factor	(18)	
Revenue & Benefits	Reduction in Enforcement notices	200	
City Policy	Zero Carbon - staffing	300	
Corporate Budgets	Pension Fund cash flow savings	(750)	
<b>Total Net Investment</b>		<b>73</b>	<b>16.4</b>
<b>Corporate Items/Other Directorates</b>			
<b>Pension fund contribution</b>		<b>(450)</b>	

<b>Increased commercial income</b>		<b>(500)</b>	
<b>Legal cost pressure</b>		<b>300</b>	
<b>Total Corporate Core Savings/Efficiency</b>		<b>(577)</b>	<b>16.4</b>

**Table 3: Proposed budget 2020/21**

<b>Service Area</b>	<b>2019/20 Net Budget</b>	<b>Savings Options</b>	<b>Investment and other changes</b>	<b>Growth and other adjustments</b>	<b>2020/21 Net Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Legal Services	6,455				6,455
Elections	1,064				1,064
Coroners and Registrars	1,897		400		2,297
Executive	979		360		1,339
Communications	3,108	(106)			3,002
CEX Corporate items	1,358	(846)	96		608
Procurement and Commissioning	1,339		40		1,379
Revenue and Benefits	10,026	(628)	200		9,598
Financial Management	5,424				5,424
ICT	13,575	(76)	50		13,549
HR/OD	4,525	(135)			4,390
Audit, Risk and Resilience	1,434	(18)			1,416
Shared Service Centre	863	(63)	240		1,040
Capital Programmes	(113)	(50)			(163)
Corporate Services Corporate Items	256	(30)			226
Customer Services	4,198	(146)	51		4,103
Commercial Governance	252				252
Decriminalised Parking Enforcement	(649)				(649)
Bus Lane Enforcement	(334)				(334)
Policy Partnership, Research and Culture	9,215	(186)	526		9,555
Performance, Research and Intelligence	4,535	(216)			4,319
Reform and Innovation	820			333	1,153
Cross Cutting Savings	(673)		610		(63)
<b>Grand Total Corporate Core</b>	<b>69,554</b>	<b>(2,500)</b>	<b>2,573</b>	<b>333</b>	<b>69,960</b>

## **6. Workforce Implications**

6.1 The framework for how the Council supports its workforce is set out in the People Strategy. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the agreed priorities, budget and workforce implications agreed last year. The proposals in this report will require the deletion of 16.4

posts on the establishment and this can largely be achieved by the deletion of vacant posts. Work is continuing to review the overall vacancies to determine if they are true vacancies that are essential or can be offered as a further reduction to make further efficiencies.

- 6.2 In recognition of the relatively large staffing underspends that are reported annually within the Core, considerable work has been done to analyse the reasons for the underspend and look at ways that the budget can be better aligned to reflect the likely spend, and addressing a number of ongoing pressures. This has been done through revising the staffing vacancy factor applied to each budget, this is now variable for each service area and reflects the size of the overall structure and the historical turnover rates. Whilst this will have no direct impact on a reduction in workforce it will be essential that we continue to support the 'Our Manchester' behaviours to guarantee these are embedded across the various services as well as engaging with our staff to ensure they continue to feel supported and valued. All the workforce changes will be underpinned by improved technology and more modern effective ways of interacting with colleagues and customers.
- 6.3 The Core is fully engaged with the opportunity to continue the focus on workforce skills and development needs. It recognises that supporting employees to maintain high attendance levels is a fundamental element of Our Ways of Working and the Our People Strategy.

## **7. Equality, Diversity and Inclusion**

- 7.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

## **8. Risk Management**

- 8.1 The Core will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

## **9. Legal**

- 9.1 There are no legal implications arising from this report.

## **10. Consultation**

10.1 As part of the budget proposals the main savings areas proposed are in respect of efficiencies, with no impact on front line service delivery so there will be no need for public consultation on any of the proposals included within this report.

## 11. Capital Strategy / Programme

11.1 The capital programme for the Corporate Core totals £63.5m over the period 2019/20 - 2023/24, this includes the ICT programme and loans to third parties. A summary of the current capital budget is shown in the table below, and details of the individual projects will be found in the Capital Strategy and Budget report for Executive in February:

**Table 4: Capital Programme**

	2019/2 £m's	2020/21 £m's	2021/22 £m's	2022/23 £m's	Future Years £m's	Total £m's
ICT	5.7	5.7	10.9	9.4	7.7	39.4
Corporate Investment	12.1	8.8	3.2	0.0	0.0	24.1
<b>Total</b>	<b>17.8</b>	<b>14.5</b>	<b>14.1</b>	<b>9.4</b>	<b>7.7</b>	<b>63.5</b>

11.2 During the 2019/20 financial year to date, the ICT Investment Programme has continued, with the recent decision to adopt a new ICT collaboration platform to replace existing systems and allow better joint working with external partners. A new social care system, incorporating a new social care payments system, has also gone live. Investment in the biomedical research facility has also continued, supporting the development of this sector in the city.

11.3 The Capital Strategy and Budget represents a continuation of the existing approved capital budget and will also provide information on the expected future investment requirements for the Council, including the need to be able to intervene in markets if existing outputs do not support the Council's wider aims perhaps through loan finance, and also the continued investment required to ensure that the Council is well-managed, and in particular the role that ICT infrastructure can play in increased digitisation of services, this will also include c£1m resources to support the Digital Cities Strategy.

11.4 A revised ICT Strategy is being prepared as part of the full suite of reports for Budget Executive, Scrutiny and Council. Both this, and the Technology route map which will follow will help inform the future investment requirements in this area.

## 12. Conclusion

12.1 The budget strategy provides information on the work that has been undertaken and is ongoing within the Directorate to both ensure that we are

able to meet the existing budget pressures, whilst also contributing savings towards the wider council budgets.

- 12.2 The proposed revenue budget for 2020/21 is a one year budget which is aligned to both the Governments one year budget settlement and the Council one year budget proposals.
- 12.3 The Directorate budget proposals have already been subject to Scrutiny review in January, and this report reflects feedback from the original meeting. The report will be submitted to Scrutiny and Executive in February 2020 for final approval.

## Appendix 1 - Delivery Plans

### 1. Revenue Financial Plan

<b>Subjective Heading</b>	<b>2019/20 Latest Net Budget £'000</b>	<b>2020/21 Indicative Budget £'000</b>
<b>Expenditure:</b>		
Employees	75,353	74,462
Running Expenses	232,614	234,194
Capital Financing Costs	1,221	1,221
Contribution to reserves	11,299	11,299
<b>Total Subjective Expenditure</b>	<b>320,487</b>	<b>321,146</b>
Less:		
Other Internal Sales	(10,980)	(10,980)
<b>Gross Expenditure</b>	<b>309,507</b>	<b>310,196</b>
<b>Income:</b>		
Government Grants	(183,981)	(183,981)
Contribution from reserves	(9,124)	(9,124)
Customer and Client Receipts	(4,904)	(4,904)
Other Grants Reimbursements and contributions	(30,213)	(30,496)
Other Income	(11,731)	(11,731)
<b>Total Net Budget</b>	<b>69,554</b>	<b>69,960</b>