

Manchester City Council Report for Resolution

Report to: Neighbourhoods and Environment Scrutiny Committee- 13 January 2021
Communities and Equalities Scrutiny Committee – 14 January 2021
Executive – 20 January 2021

Subject: Neighbourhoods Directorate Budget Proposals 2021/22

Report of: Strategic Director (Neighbourhoods)

Summary

As a result of additional demand for services and impact on the Council's income (as set out in the November reports to Executive and scrutiny committees) the Council is facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17th December suggest the Council will not be facing the worst-case scenario for 21/22, which was a shortfall of around £100m. It is now expected that savings in the region of £50m, as previously identified, will be sufficient. The report of the Deputy Chief Executive and City Treasurer, to Resources and Governance Scrutiny Committee 12 January provides an update on the finance settlement.

This report provides a further update to the Scrutiny committee on the savings proposals being proposed as part of the 2021/22 budget process and reflects any feedback from the November Scrutiny committees. The savings proposals will be considered by all six Scrutiny Committees for those areas within their remit, prior to going out to public consultation.

Recommendations

The Committee is asked to consider and make comments on the savings proposals identified prior to being considered by Executive.

The Executive is asked to endorse the proposals.

Wards Affected: All

Manchester Strategy Outcomes	Summary of the Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Providing the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods and highways

A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring residents are connected to education and employment opportunities across the City.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Creating places where residents actively demonstrate the principles of Our Manchester through participation and take responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups.
A liveable and low carbon city: a destination of choice to live, visit, work	Creating places where people want to live with good quality housing of different tenures and effective use of the highways network; clean, green, safe, healthy and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.
A connected city: world class infrastructure and connectivity to drive growth	Ensuring residents, neighbourhoods, businesses and goods connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The savings proposals included within this report are proposed as part of the Neighbourhood service 2021/22 budget preparation and will contribute towards a balanced Council budget.

Financial Consequences – Capital

There is already an approved capital investment programme for the Directorate, and some capital investment is required to assist in delivering some of the currently identified proposals included within this report.

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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.

Neighbourhoods Directorate Budget 2020/21 - Executive 12 February 2020
Neighbourhoods Directorate Budget Options 2021/22 – Executive 11 November 2020

1.0 Introduction

- 1.1 As a result of additional demand for services and impact on the Council's income (as set out in the November reports to Executive and scrutiny committees) the Council is facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17th December suggest the Council will not be facing the worst-case scenario for 21/22, which was a shortfall of around £100m. It is now expected that savings in the region of £50m, as previously identified, will be sufficient. The report of the Deputy Chief Executive and City Treasurer, to Resources and Governance Scrutiny Committee 12 January provides an update on the finance settlement.
- 1.2 The Neighbourhoods Directorate has a revenue budget of circa £95.5m of which £47m relates to waste collection, street cleansing and waste disposal. Outside of these areas the majority of the budget relates to staffing.
- 1.3 In response to the identified Council wide budget gap and the proposal to start to consult on a programme of cuts of **c£50m** for **2021/22**, all budgets have been reviewed in order that any efficiency savings or opportunities for increased income are identified as well as proposals for cuts. These were initially considered by Members in November 2020, and this report takes account of members feedback and now sets out the proposed budget reductions for the Neighbourhood Directorate. Savings within the overall Neighbourhoods directorate include proposals of **£7.376m** requiring an fte reduction of **2**. Due to lead in time around investments etc, the £7.376m would be phased over the period 2021/22- 2024/25, with an initial £6.683m being delivered in 2021/22.
- 1.4 As all identified proposals are being considered by the relevant Scrutiny Committee, this report is focussed on the proposals under the remit of the Neighbourhood and Environmental, and Communities and Equalities Scrutiny Committees. These **proposals total £1.391m** over the four years, with £0.923m in 2021/22 and require a reduction of 2 fte. Further details on the savings proposals are set out in section 5, with a summary table included at Appendix 1.
- 1.5 Although it is anticipated that the overall c£50m budget savings will be sufficient to ensure a balanced budget in 2021/22, it is anticipated that there will be a requirement for further savings in future years. As part of developing the current budget reductions, attempts have been made to minimise the impact on residents and communities wherever possible, but this will be more difficult if further savings are required in future years.

2.0 About the Neighbourhoods Directorate Background and Context

- 2.1 The Neighbourhood Directorate plays a pivotal role in delivering the Council priorities, working with Manchester's communities to create and maintain clean, safe and vibrant neighbourhoods that residents can be proud of and

where businesses and investors want to invest, bringing employment opportunities for our residents.

- 2.2 Teams work collaboratively with partners and local members within our neighbourhoods to enable people living in our communities to be healthy, well and safe and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally.
- 2.3 Libraries, art galleries, leisure centres, parks, play areas, events and youth services as well as our cultural activity provide an offer to the city that enhances the experience of people living and working in the city; as well as supporting our children and young people, to be happy, healthy and successful, fulfilling their potential and contributing to their educational attainment.
- 2.4 Our world class offer also contributes to the vibrancy of the City and its neighbourhoods. Widening participation to ensure that the users of our community services reflect the diverse communities of Manchester remain a key priority.
- 2.5 The development of commercial activity across our parks and leisure and events have previously reduced the demand on revenue as well as increasing investment in our community assets impacting positively on the perception of the city and the opportunities for our residents.
- 2.6 The Directorate is fully committed to Zero Carbon Manchester and to reducing carbon throughout all programmes of work and raising awareness of carbon usage and looking for 'greener' alternatives. Key initiatives include driving forward the electric fuelling infrastructure, plant and equipment for all Council services.
- 2.7 The quality of our highways, number of potholes repaired and gully cleansing remains a priority for our residents and road resurfacing is now happening at a greater scale. We are currently on target to deliver the 5 year highway investment programme. Investment and the maintenance of our highways beyond the current 5 year programme will be an essential consideration in our future strategy.
- 2.8 Waste and recycling is the largest budget area for the Directorate including both the cost of waste disposal and collection/street cleansing (almost 50%) The current contract for Waste collection and street cleansing will come to the end of the first 8 years in 2023 and decisions on the future delivery model for this service will fall within the timeframe of the 5 year budget strategy. We have achieved our highest overall levels of recycling (40%) and lowest levels of residual waste over the last 10 years. However, as the City grows and as more people work at home this will continue to have an impact on the demand for these services which need to be managed. In addition, the impact of COVID over the last 9 months has led to more people being required to stay at home and this has led to increased levels of waste and contaminated recycling bins.

- 2.9 Investment in compliance and enforcement resources has led to an increase in business compliance, better managed neighbourhoods and measures to impact on flytipping have seen a positive impact in our neighbourhoods. Demand from anti-social behaviour impacting on the quality of the places people live continues to rise and despite investment is still less than 50% of capacity in 2011.
- 2.10 The impact of COVID has impacted on our Parks, Leisure and Events functions which rely on income as well as the Cultural sector in the city. The latter in particular will take some time to recover if this is even possible in all areas.
- 2.11 The priority for the Directorate remains supporting communities and building resilience whilst maintaining safe, clean, well managed and connected neighbourhoods in line with the expectations of local members and residents in a city that continues to grow and within the limitations of resources available.
- 2.12 Developing partnerships to enable more effective models of delivery through The Bringing Services together for People in Places programme remains key to improving the offer at a local level for residents and to support a reduction in demand on key public services.
- 2.13 Our universal youth, leisure and culture offer combined is an offer to our residents that sets Manchester apart. The refreshed strategy has set out the city's commitment to our young people however this is an area that has struggled with the impact of COVID 19 and will take some time to recover.

3.0 Neighbourhoods 2020/21 Budget Position

- 3.1 The Neighbourhoods Directorate has a gross budget of £164.5m, and a net budget of c.£95.5m, with 1,420 FTE's employees. The breakdown by service area is provided in the table below:

<i>Table 1: 2020/21 base budget</i>	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budgeted Posts (FTE) £'000
Service Area			
Compliance and Community Safety	16,405	10,903	297
Highways	27,403	14,738	236
Libraries, Galleries and Culture	12,854	9,316	270
Management and Directorate Support	1,120	1,120	18
Neighbourhood Teams	2,854	2,627	51
Commercial and Operations	82,904	48,750	461
Other Neighbourhoods	1,649	455	4
Parks, Leisure, Youth and Events	19,355	7,594	83
Grand Total	164,544	95,503	1,420

3.2 The 2020/21 cash limit budget is £95.5m, this is net of the £2.324m savings that were approved as part of the 2020/21 budget process.

4.0 Current In year forecast Position at October 20 (Period 7)

4.1 As at October 2020 the Directorate is forecasting a net overspend of £8.675m, this includes Covid-19 related pressures of £11.243m, offset by in-year mitigation of £2.568m.

4.2 The Covid-19 pressures are made up of a combination £4.236m increased cost pressures, with the main pressure being the in year financial support of £3.38m being provided to the external leisure operator to fund the ongoing costs of maintaining the City Council leisure assets during the initial closure, and subsequent reduced operations through until March 2021. Sport England have made funding of £100m available to Local Authorities who partner with external providers in delivery of Leisure services. The deadline for the submission of bids is 8th January, and Manchester will submit a bid for financial support to ensure Leisure facilities are COVID secure, and for the loss of income following the reopening of facilities.

4.3 In addition to the additional costs, there is £7.007m reduced income through sales, fees and charges. This includes a combination of reduced trading income (£4.989m) within operations and commissioning services, reduced sales income (£235k) in libraries because of closure of venues, and subsequent lower footfalls, loss of events and other income (£1.001m) in Leisure, Parks and Events, reduced income of (£348k) through off street parking and fees and permit income in Highways and reduced income of (£434k) from penalty notices and license income in Community Safety and Enforcement.

4.4 As part of the ongoing work seeking to mitigate the above pressures in year forecast savings of £2.568m have already been identified, this is largely due to staff savings because of vacant posts and reduced running costs across all services.

2021/22 Budget Pressures

4.5 As part of the Neighbourhood service budget planning a key consideration is the projected growth in the number of households across the City. Given the ongoing national response to the Covid-19 pandemic, and the uncertainty around both the level and duration of any restrictions that will apply in 2021/22 there are significant risks of further budget pressures across the Directorate. These will be monitored and reported as part of the monthly budget monitoring process. Detailed below are likely pressure areas that are already known, although they have not yet been quantified.

4.6 **Leisure Services Provision** – The existing leisure operator was appointed in 2019, and as part of their submission they included an initial income forecast of £12m and expected to increase this over the life of the contract and reduce the level of subsidy required from the Council. Due to the initial closure of

leisure facilities, and subsequent reduced capacity as part of the conditions on the reopening of facilities which is expected to continue into 2021/22 it is extremely unlikely in light of the impact of COVID 19 that the original income projections as part of the tender submission will be achieved and further support from the Council could be required. Work is ongoing with the contractor to determine the likely scale of any further support, and this will be included as part of the February budget report. As highlighted above an application for external grant funding is to be made in January 2021, if this bid is successful then the additional resources will help mitigate the overall Council position.

- 4.7 **Waste Collection** – Due to the ongoing requirements for individuals to stay at home wherever possible this has led to an increased volume of domestic waste to be collected and disposed of. In addition, and unlike other areas in Greater Manchester it was agreed to collect any additional side waste left out by residents. This has created a pressure on the existing waste collection contractor to collect the increased volumes and has also increased the volume of waste requiring disposal and therefore the costs to the Council. In this financial year the additional costs of waste disposal have been offset by a rebate from the Greater Manchester Waste Disposal Authority (GMWDA). If the current position continues into 2021/22 this will likely result in further cost pressures that will need to be managed as part of the overall Council budget.
- 4.8 **Costs of replacement waste bins** - there has been an increased number of requests for replacement of both residual and recycling waste bins, this can be due to loss or damage and in some instances in order to increase household capacity. There is also evidence that in some cases this is to replace bins that have been contaminated. The budget to fund replacement bins is coming under increasing pressure because of the number of replacements being requested. Currently residents are charged £20 towards the costs of replacement of grey residual bins. As part of managing this pressure and looking to encourage behaviour change an option to introduce charging for replacement of all bins is being developed. This will need to consider a number of factors including individuals' personal circumstances and the ability to pay as well as the required changes to the existing computer system. Further work will be undertaken to understand the options and implications in full including the potential impact on fly tipping, and to identify what changes are required prior to formally considering any changes. This **will not be considered for 2021/22** and a report will be brought back to members at an appropriate point.
- 4.9 **External Income** – As part of the Directorate overall net budget there is an income budget of c£47m. If the restrictions linked to COVID 19 continue or are increased, then the external income budgets will be adversely affected into 2021/22. MHCLG have indicated as part of the recent finance settlement that the support to local authorities through the sales fees and charges return will be extended through until the end of June 2021, and this will provide some mitigation against any potential ongoing loss of external income.

5.0 **2021/22 onwards Savings Proposals**

- 5.1 The Neighbourhoods Directorate has a net revenue budget of circa £95.5m of which £47m relates to waste collection, street cleansing and waste disposal. Outside of these areas the majority of the budget relates to staffing. In response to the identified Council wide budget gap all budgets have been reviewed in order that any efficiency savings or opportunities for increased income are identified and included for consideration by members. As part of the wider £50m savings The Neighbourhoods Directorate has identified an initial **£6.683m** in 2021/22 increasing to **£7.376m** by 2024/25 with an **FTE impact of 2** across the Neighbourhoods Directorate.
- 5.2 In seeking to minimise the impact on residents and neighbourhoods, all opportunities for maximising external income sources were considered and the overall Directorate proposals includes £5.985m of increased income generation, and these proposals will be considered by Resources and Governance Scrutiny Committee as part of the budget process. The proposals to be considered in this report total **£1.391m** and further details of the initial proposals under the remit of this Scrutiny Committees are set out in more detail below whilst the table at appendix 1 provides a summary view along with RAG rating.

Budget Savings Proposals

- 5.3 **Parks and Leisure service have identified** savings proposals of **£0.582m**, these will be delivered through a combination of continuing to develop and increase the level of commercial income generated and increasing collaboration across leisure operators. There would be a lead in time to delivering these proposals with **an initial c£127k** being delivered in 2021/22 and the savings would increase over the following three years, the total £0.582m savings would be achieved through the following;
- Within the current approved capital programme there is c.£12m approved for investment in parks, and as part of developing the business cases to utilise this funding it is proposed that any investment decisions will include the ability to increase the income generation opportunities. Given the need for capital investment, and the time required to implement the required changes the £427k savings will be phased over a four year period, with an **initial £127k in 2021/22**. Given the need to generate more commercial income the required capital investment will be focused on the larger parks, rather than the community parks.
 - Within the **Leisure sector** there are a number of different arrangements in place, both within Manchester and wider across Greater Manchester, this includes both different operators and different operating arrangements. In an attempt to streamline the existing arrangements and deliver savings through economies of scale work will be undertaken to look at opportunities for collaborating with other Authorities in an effort to generate savings or increase income depending on the model adopted. Initial analysis indicates that savings of **c£155k** could be achieved but given the lead in time this would not be achieved until 2022/23. As part of the work to look at the

proposals the impact of Covid-19 on leisure operations would need to be considered, and as referred to above, the likely ongoing support could make this saving more difficult to achieve, but this would be looked at as part of developing any business case.

- 5.4 Within the **Compliance and Enforcement function total proposals of c£164k** have been identified and this is made up of, the following;
- 5.5 £80k increased income from a combination of (£60k) fixed penalty notices, and (£20k) from introducing new charges for providing advice to businesses.
- 5.6 As part of looking at the overall staffing costs, savings of £20k are proposed this will be achieved through a small number of staff voluntarily taking up part reductions in their working week. This is forecast to provide savings of up to **£20k**
- 5.7 The **animal welfare service** is currently provided in house, and it is proposed to look at an alternative delivery model for this service which would impact on **2FTE's**. A tender exercise will be undertaken in order to move the service provision onto a contracted basis which is likely to reduce the flexibility that currently exists but could provide cost reductions of **£64k** subject to tender.
- 5.8 It is proposed to use additional time limited **grant funding of £137m** to replace existing mainstream budget provision within Compliance and Enforcement, particularly around the food inspection activity at Manchester Airport. This will be a one year saving only because of the time limited funding.
- 5.9 Within the **Highways service** significant work has progressed over the last two years to restructure and reorganise the function to enable it to better deliver for the residents of the city. Savings proposals of **c£0.645m** over 2021/22 and 2022/23 have been identified with minimal impact on the quality of service delivered, this includes a combination of reviewing existing charges and ensuring that income is maximised where possible, the initial proposals include identifying further opportunities to make eligible charges to the capital programme - **£270k**, seeking to ensure that any damage to highways infrastructure is recovered from the perpetrator or insurance company - **£25k**, increase the existing rates for permits and other rechargeable works. - **£75k** and increase the volume of commercial arrangements for provision of winter gritting service - **£25k**.
- 5.10 In addition to the proposals above a further saving of **£250k** is proposed through a reduction in costs of accident claims/legal fees over the period. This is due to a combination of the ongoing highways investment and improved roads and footways and the reduced footfall level within the City. This would be phased £100k in 2021/22 and £150k in 2022/23.

6.0 Workforce Implications

- 6.1 The workforce implications related to the savings proposals are a reduction 2fte, and this can most likely be managed within existing turnover.

- 6.2 As part of supporting Directorates to achieve staffing reductions, the Council Opened a limited voluntary redundancy/voluntary retirement scheme. The scheme was initially for the Corporate Core who have a larger number of posts to lose, but on a limited basis for time limited or other posts and in other areas where there are savings or changes that need to be achieved. The scheme closed on 11th December.
- 6.3 Consultations have started with Trades Unions on the M:People processes to ensure that the Council does not lose focus on providing support for our workforce to develop and progress and where relevant to reskill into different roles, with a view to focussing on giving excellent support to those at risk of redundancy in finding suitable alternative employment.

7.0 Equalities

- 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 within the Directorate 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.
- 7.2 As part of implementing the savings proposals an Equality Impact Relevancy Assessment will be undertaken for each of the proposals. The outcome of which will inform the future planning and delivery to ensure that no residents are disproportionately affected by the changes to services.

8.0 Risk management

- 8.1 The Directorate 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.

9.0 Legal

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

10.0 Conclusion

- 10.1 The Council is facing a period of significant change, and there are growing demands on capacity alongside the need to make budget cuts. The 2020/21 budget gap is currently forecast to be around c£50m, but this increases further in 2022/23. Directorates have identified savings proposals of c£50m that can be implemented from April 2021 to ensure a balanced budget in 2021/22.

Appendix 1

Service	Description of Saving	Type of Saving	RAG Deliverability	RAG Impact	Amount of Saving					FTE's
					2021/22 £000'S	2022/23 £000'S	2023/24 £000'S	2024/25 £000'S	Total £000'S	
Compliance & Community Safety	Externally contract the Animal Welfare Service	Efficiency	Amber	Amber	64				64	2
	Increased income from fixed penalty notices	Income	Amber	Amber	80				80	
	Time limited grant funding.	Income	Amber	Green	137	(137)			0	
	Salary savings through increased part time working	Efficiency	Amber	Amber	20				20	
Parks, Leisure, Events & Youth	Generate additional income in parks	Income	Red	Green	127	100	100	100	427	
	Increased collaboration across leisure operators	Income	Red	Amber	0	155			155	
Highways Services	Reduction in accident trip claims	Efficiency	Green	Green	100	150			250	
	Increase income from permits and other rechargeable works	Income Generation	Green	Green	125				125	
	Increase charges to capital for eligible works	Income Generation	Green	Green	270				270	
Total					923	268	100	100	1,391	2