

## **Resources and Governance Scrutiny Committee**

### **Minutes of the meeting held on Tuesday, 11 January 2022**

#### **Present:**

Councillor Russell (Chair) – in the Chair

Councillors Ahmed Ali, Andrews, Clay, Davies, Hacking Hitchen, Kirkpatrick, Lanchbury, B Priest, Robinson, Simcock, Wheeler and Wright

#### **Also present:**

Councillor Craig, Leader

**Apologies:** Councillor Rowles

#### **RGSS/22/01 Minutes**

#### **Decision**

The Committee approve the minutes of the meeting held on 7 December 2021 as a correct record.

#### **RGSS/22/02 Provisional local government finance settlement 2022/23 and budget assumptions**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided an update on the main announcements from the provisional local government finance settlement 2022/23 announced 16 December 2021, with a focus on the impact on Manchester City Council and its budget for 2022/23. It also outlines the main budget assumptions behind the Medium-Term budget position 2022/23 to 2024/25.

Key points and themes in the report included:

- Describing the key elements of the Provisional Finance Settlement and confirmed that the c£7.7m savings and mitigations, as reported to Resources and Governance Committee on 9 November, were sufficient to deliver a balanced budget next year;
- The implications for the Manchester Local Care Organisation budget;
- Describing the implications for the Council's budget, including the Strategy to close the remaining budget gap; and
- Conclusions and next steps, noting that Officers had estimated the future resources available based on the information available with the resulting forecast gap of £37m in 2023/24 increasing to £58m in 2024/25;

Some of the key points that arose from the Committee's discussions were: -

- The fair funding proposals did not reflect a fair approach to funding for local government;

- The Council's budget position was not one of choice and was something that government had enforced on Manchester through ten years of austerity measures and the people of Manchester deserved better;
- How confident were officers with the integrity of the projected levels of savings that the Council would need to make for 2023/24 and 2024/25;
- In considering the variations amongst Local Authorities in the effective operation of care markets in their areas, how well placed was Manchester in relation to the payment to residential and domiciliary care providers for carrying out the range of activities at appropriate rates and had consideration been given to working with other local Authorities to address this;
- How were the NHS reforms going to be integrated with the Manchester Local Care Organisation (MLCO) and what would be the potential impact of these reforms on the Council's Adult Social Care provision;
- How had the budget mitigation of £2.5m for Adults Homeless demand management been determined;
- Assurance was sought if as part of the savings £2m associated with staff budgeting and vacancy factors would not be as a result of a reduction in the staff;
- What was the underlying figure of actual use of 'classic' reserves, setting aside the additional funding that had been provided to tackle covid, which was inflating the appearance of both the reserves and use of reserves figures; and
- Had previous funding to tackle domestic violence and abuse now been incorporated into mainstream funding.

The Deputy City Treasurer advised that a multi-year model was used to determine the level of savings required. This was refreshed during the course of the year as more information became available and the level of savings proposed for 2023/24 and 2024/25 were best estimates at present. The Deputy Chief Executive and City Treasurer added that as well as the Council's own internal assumptions on demand and the delivery of savings, a number of projections in regards to income needed to be made and the level of future government funding. Given it was only a one year settlement, the future of Business Rates retention and the potential impact of the Fairer Funding Review, it was very difficult to do this with great accuracy.

The Deputy City Treasurer explained that there was a national issue around appropriate payment in the care market. For Manchester, there was a higher proportion of care residents who were fully funded by the Council, meaning less scope for cross subsidisation between private clients and council paid for clients that the fair cost of care review was seeking to address. There was however, still an issue of sustainability within the market, that also needs addressing as part of the reforms.

The Council was undertaking market sustainability work and £1.8m had been made available from the Social Care levy to help support the sustainability and work with providers. The Deputy Chief Executive and City Treasurer commented that the Council was also committed to being a Real Living Wage employer and had signed up to the Unison Ethical Care Charter with additional investment to ensure all home care providers were paid at the real living wage as a minimum. In terms of working with other Local Authorities there was an active group of Greater Manchester Social Care Directors who collaborated on this type of work.

The Deputy Treasurer advised that the NHS was still awaiting their settlement figure from Government and the commencement of the new Integrated Care Organisations would now be delayed until July 2022. This, along with the impact of tackling Covid meant it had been difficult to undertake any long-term planning. He added that that both the Council's and the NHS budgets' were aligned, and the Council and MLCO were working through the 'Better Outcomes, Better Lives' workstream to put plans in place to best use available funding streams.

The Deputy Chief Executive and City Treasurer advised that the savings in Homelessness and Adult Social Care were not savings and resulted from an over estimate of the impact of covid on the the demand for delivering services in 2021/22 and as a result the funding amount had been corrected.

It was explained that the savings projected in relation to staff budgeting and vacancy factors had been determined using two factors. The first being that Council budgeted at top of grade for all staff and as in previous years, the Council often underspent on staffing cost as not all staff were at the top of their grade. Secondly there was often a time lag between someone leaving their post and being able to recruit to the vacancy that occurs, so rather than having to take difficult decisions around budget cuts in other service areas, aligning staffing budgets would be more appropriate.

The Leader commented that the budget papers that would be presented to Scrutiny in February would provide greater clarity around the details of the proposed savings.

The Deputy City Treasurer advised the use of £184m Reserves was as a result of receiving Business Rates funding a year in advance as opposed to a year in arrears. This equated to approximately £145m of the £184m. The other use of Reserves was planned commitment from previous years. The Council did have a Reserves strategy to support the budget over the medium term which would be included in next month's suite of budget reports.

## **Decision**

The Committee note the report.

### **RGSS/22/03     Revenue Budget Modelling – budget assumptions focussing on inflation and demand growth**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided an update on the latest inflation and demand growth estimates which are included in the Medium-Term Financial Plan.

Key points and themes in the report included:

- Providing an introduction and background, noting that the assumptions take into the account the likely resources that will be available to fund the budget, including government grant funding, council tax and business rates income;
- Consideration of inflationary pressures, noting the provisions that had been made within the draft Revenue Budget;

- Consideration to demand and demographic pressures, noting the assumed levels of demographic and demand growth for 2022/23 to 2024/25; and
- Conclusions.

Some of the key points that arose from the Committee's discussions were: -

- How much thought had been given to flexibility in the modelling, insofar as support to asylum seekers and refugees placed within Manchester, free school meals during school holidays and the use of private rented temporary accommodation for those who were homeless;
- Had the trajectory of demand in Adult Social Care and how Manchester could manage the funding deficit been considered;
- What work had been undertaken at a GMCA level to address the rapid increase of residents housed in temporary accommodation within the region compared to the national increase;
- The longer term projections for the growth of the city and demand on services would be helpful;
- What proportion of the Council's Social Care contracts had the requirement to pay staff the Real Living Wage; and
- Did the additional £2.3m for the investment in edge of care and early intervention in 2022/23 reflect the growth in these areas, the 3% demographic growth assumption or both.

The Deputy City Treasurer advised that the Council had received a number of one-off funding packages of support and all options were being considered as part of the 2022/23 budget setting process. Concerns did exist around inflation and over the increasing cost of energy prices which would impact on the modelling of the revenue budget. It was reported that a significant sum of funding had already been put in place this financial year to help address homelessness and improvements had and continue to be made.

The Leader added that there were only certain things that the Council now knew about due to experience which could not have been modelled for in previous years, such as the need and cost of free school meals in school holidays.

The Deputy City Treasurer reported that the Council had employed an organisation Impower to help with the implementation of the Better Outcomes Better Lives workstream and support on the financial modelling for Adult Social Care.

The Leader advised that there would be a report to next months Communities and Equalities Scrutiny Committee that would look at the issue of the increase of residents housed in temporary accommodation which could be shared with Members of this committee.

The Deputy City Treasurer advised that the work of the GMCA had been around tackling rough sleeping, whilst the bulk of the pressure faced by the Council centred around homelessness in families and no-fault evictions and the associated cost of finding temporary accommodation. He also advised that in relation to the Council's Adult Social Care contracts, homecare workers received the Real Living Wage as a minimum, which was a higher rate than the national living wage and in terms of care

home workers they were in receipt of the national living wage at present. As a Council, its minimum payment level to staff was above the Real Living Wage.

The Committee was advised that the additional £2.3m for the investment in edge of care and early intervention reflected both the growth in these areas and the 3% demographic growth assumption.

## **Decision**

The Committee notes the report.

### **RGSS/22/04 Funding of the Capital Programme**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided a summary of the Council's proposed capital investment priorities, which will be included in the Capital Strategy report to Executive in February.

Key points and themes in the report included:

- Providing an introduction and background;
- Describing the development of the Capital Strategy
- Describing the approach to borrowing;
- Describing how capital financing costs were funded; and
- Capacity for additional borrowing.

Some of the key points that arose from the Committee's discussions were: -

- Whilst it was reported that the capital financing reserve could support approximately a further £100m of borrowing over the next three to five years to support capital schemes, would Officers not recommend this; and
- Did increasing inflation in construction costs make it more or less attractive to borrow money from the Public Works Loan Board as opposed to using internal reserves.

The Deputy Chief Executive advised that there would be an element of borrowing required over the next three to five years to support the capital strategy but it was not possible to predict the levels of interest and inflation rate rises and as such could not give an exact figure of what this level would be at this stage. It was also reported that the key impact of inflation on the capital programme would be the rising costs for any future schemes and the need to attract more financing, whether that was government grant or borrowing. Whilst interest rates remained at their present rate, it was still appropriate to take a blended approach.

## **Decision**

The Committee notes the report.

### **RGSS/22/05 Budget Equality and Poverty Impact Assessments**

The Committee considered the report of the Deputy Chief Executive and City Treasurer that provided details on how the approach to Equality Impact Assessments and Poverty Impact Assessments had developed over recent years and how these would be further embedded and strengthened in the Budget setting and business planning processes in the future. The report also covered the budget setting process for 2022/23 and the limited impact this would have on equalities and poverty.

Key points and themes in the report included:

- Providing an introduction and background, noting that the Council had a long-standing commitment to promote equality, celebrate diversity and advance inclusion;
- Describing the approach to equality and poverty impact;
- The budget proposals for 2022/23 were minimal and were largely budget adjustments which did not directly impact on service delivery;
- There was no direct impact on any protected characteristic and/or any aim of the general Equality Duty. As such Equality and Poverty impact Assessments would not be required for the 2022/23 budget proposals; and
- The future approach to Equality Relevance Assessments and Equality Impact Assessments as part of the budget setting process for 2023/24 and beyond

Some of the key points that arose from the Committee's discussions were: -

- Appropriate resources needed to be allocated to address and tackle poverty and deprivation in the city;
- Was the support committed to children centres driven through this methodology;
- Could the Committee be provided with more information on the brief Equality Relevance Assessment tool;
- An example of how the tool was used would help Members understand how it worked; and
- It was good to see Equality and Poverty Impact Assessments becoming more embedded in then budget setting process

The Deputy Chief Executive advise that the Council would need to look more fundamentally as to where it prioritised its resources in tackling poverty and deprivation. This came with the caveat that there was a lot of duties that the Council had to deliver and had committed spend to these, and it was not possible to mitigate all the impacts of poverty in the city. It was confirmed that the support to Children's Centres was in part driven by the importance of this agenda.

It was agreed that the Equality Relevance Assessment tool could be shared with Members of the Committee as long as it was understood that it was a work in progress.

The Strategic Lead Business Change, Reform and Innovation provided an example of how the Equality Relevance Assessment tool worked to the Committee.

## **Decision**

The Committee notes the report.

## **RGSS/22/06    Overview Report**

The Committee considered the report by the Governance and Scrutiny Support Unit which provided 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 was asked to amend as appropriate and agree.

### **Decision**

The Committee notes the report and agrees the Committee's Work Programme.