

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 8 November 2022
Executive – 16 November 2022

Subject: Corporate Core Budget Proposal 2023/24

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

Summary

The Council is forecasting an estimated budget shortfall of £44m in 2023/24, £85m in 2024/25, and £112m by 2025/26. After the use of c£16m smoothing reserves in each of the three years, this reduces to £28m in 2023/24, £69m in 2024/25 and £96m by 2025/26. Officers have identified potential savings options to reduce the budget gap totalling £42.3m over three years.

This report sets out the priorities for the services in the remit of this committee and details the initial revenue budget changes proposed by officers.

Even after these proposals there remains a budget gap of £7m to close to get to a balanced budget in 2023/24 and further savings and cuts options will be required to be worked between now and January and be reported back to Scrutiny committees in February. Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2023.

Recommendations

The Committee is recommended to:

- (1) To consider and comment on the forecast medium term revenue budget
 - (2) Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee
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Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

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 effective use of resources underpins the Council’s activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city’s economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2023/24 budget preparation.

Financial Consequences – Capital

None directly arising from 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.

[Revenue Budget Report - Executive Meeting 16 February 2022](#)

[Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022](#)

[2022/23 Budget Overview and Section 25 Report – Executive 16 February 2022](#)

[Corporate Core Budget Report – 2022/23 – Executive 16 February 2022](#)

[Resource and Governance Scrutiny – 6 September 2022](#)

[Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022](#)

1. Introduction and purpose

- 1.1. The report is the first in the cycle for the budget programme 2023-26. It sets out an overview of the services within the remit of this scrutiny committee and their key priorities. The budget growth assumptions in the Medium-Term Financial Plan (MTFP) are set out. The report provides a draft set of officer proposals for further savings for 2023-26, developed in the context of the financial challenges facing the Council. This report covers all services under the remit of the scrutiny committee, this includes both the Corporate Core and Operations and Commissioning services within the Neighbourhood Directorate.

2. Service overview and priorities

- 2.1 The Council is facing a need to find savings/cuts/cost avoidance of over £100m over the next three years and the Corporate Core must play its part in closing the budget gap.

The Corporate Core has the following functions:

1. Delivery of front-line services to residents and businesses including the customer service, revenues and benefits, coroners and registrars
 2. Delivery of support services to both the council and partners through the centre of excellence model. These include Finance and Procurement, Human Resources and Organisational Development, Legal Services and Policy, Performance and Reform.
 3. Delivery and support of the Capital Programme through the Capital Programmes team.
 4. Corporate Landlord and Facilities Management (FM)
 5. Ensuring effective governance, decision making and supporting the council as a democratic organisation. This includes the specific work of internal audit, commercial governance.
 6. Engine room for driving policy and strategy and the associated evidence base.
- 2.2 The Corporate Core is made up of Chief Executives and Corporate Services and has a gross budget of c.£329m and a net budget of c£79.8m and employs over 2,000 FTE. The budget and FTE numbers are broken down by service in the third table below.

Base budget 2022/23

Chief Executives	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
Coroners & Registrars	3,633	2,240	50
Elections	1,079	1,077	11
Legal Services	15,165	9,596	271
Communications	4,258	3,281	78
Executive	949	949	12
Policy, Performance & Reform (PRI)	18,582	14,125	155
CEX Corporate Items	1,255	1,215	0
Total Chief Executives	44,921	32,483	577

Corporate Services	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
Finance, Procurement & Commercial Gov	8,763	7,742	221
Revenues & Benefits and Customer Services	234,066	11,849	550
ICT	14,802	14,802	158
Human Resources & OD	4,782	4,203	137
Audit, Risk & Resilience	1,544	1,371	39
Capital Prog, Operational Prop & FM Services	20,085	15,602	329
Total Corporate Services	284,042	55,569	1,434
Grand Total Corporate Core	328,963	88,052	2,011

The above budgets also include:

- £3.6m discretionary welfare support budgets in Revenues and Benefits
- £2.9m VCSE grants budget in PRI
- Operational Property and Facilities Management includes Utilities £3.1m, Business rates £2.9m, Security £2.6m and rents £1.6m
- £5.4m for ICT supplier contracts and licences
- Chief Executives Corporate items includes the AGMA contribution of £1.768m.

2.3 In addition to the Corporate Core, there are other services that are under the remit of the Resources and Governance Scrutiny Committee, these are traded services within Operations and Commissioning managed by the Neighbourhoods Directorate. The gross budget is £22.2m, with a net credit budget of £14.4m and total employees of 126, a breakdown of services is shown below.

Business Units, Advertising and Parking	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE) £'000
Business Units	14,663	(2,753)	122
Advertising	63	(4,400)	1
Parking Services and CCTV	7,508	(7,301)	3
Total	22,234	(14,454)	126

2.4 Headline Priorities for the Operations and Commissioning services

These services aim to maximise the income generated from services which provide an opportunity to generate income commercially alongside the provision of a public amenity.

Business Units

- Markets – traditional, local, wholesale and specialist markets.
- Pest Control - tailored service for domestic and business premises to treat, monitor and eradicate pests.
- Bereavement Services - Manchester's five cemeteries and one crematorium (at Blackley) manage some 3,000 funerals a year, working seven days a week to meet the needs of the city's diverse cultural communities.
- Parking - The service directly supports the transport strategy for the city and our aim is to keep the city's roads safe and moving. Work is ongoing to update the parking strategy and review of both on / off street pricing.
- CCTV - Undertakes management of the city centre control room and the c.200 cameras across the public realm.

3. Service budget and proposed changes

3.1 The core budget savings will be delivered through a combination of:

- Transformation delivered through the Future Shape Programme.
- Review of our workforce structures and capacity and taking a realistic view on the ability to fill longstanding vacancies.
- Good housekeeping and delivery of efficiencies. All Heads of Service have been asked to review their service areas to identify efficiencies or opportunities for income generation.
- Delivering a corporate programme of work on ensuring the basics are right, sound and competitive procurement, approach to managing inflation, ensuring income budgets are maximised and charges appropriate.

Future Shape and Transformation Programme

3.2 Previous reports have been taken to this committee on the Future Shape programme which is a mix of internal and external facing service

transformation. The objectives are to ensure that the quality of our services, resident experiences and outcomes are improved, whilst improving council efficiency and reducing costs. This is being delivered through the following workstreams;

- Resident and Business Digital Customer Experience (RBDXP)
- Digital Data and Insights
- A More Purposeful and Effective Core
- Our Ways of Working – including estates rationalisation

The ambition is to deliver up to £10m of savings over a five-year period.

Resident and Business Digital Customer Experience (RBDXP)

3.3 Work has already started with the revised customer centre offer and experience which delivered £0.6m of savings in 2021/22. The next phase focuses on the customer contact centre and replacement of the Customer Relationship Management system. This will improve how the council interacts with residents and businesses and is key to improving the current manual processes, enabling further channel shift, and targeting resources on providing support where it is most needed.

- Phase One is expected to achieve a further 20% channel shift, by moving c295k contacts from non-digital contacts to digital contacts, and release £0.65m of savings from Customer Services, (£200k 2024/25 and £450k 2025/26) through a reduction in staffing. It is expected that the staffing reduction will be achieved via natural turnover.
- Phase Two will deliver further saving/efficiencies as additional services outside of the customer contact centre are transitioned to the new digital platform such as those used by Markets and Bereavement Services as they move to the new software.

A new technology and implementation partner has been procured, who started in October 2022. Their work will include the transitioning and development of the benefits realisation plan.

3.4 It is currently too early to accurately quantify total savings from this programme over both phases. The aim is to achieve up to £2m through the further rationalisation of systems as more services and systems are included. In order to deliver this a small core digital team will be required, and the costs were included in the initial business case and will be paid for through the longer-term savings.

Digital Data and Insights

3.5 This workstream will implement new back-office digital technology and process changes required for the council to work smarter and more efficiently. The key deliverables include:

- The MCC ICT and Digital Strategy has now been approved by Executive in October 2022 and compliments the Council's external Digital Strategy. It is accompanied by a Technology Roadmap linked to the move to the hybrid cloud, with 50% of the ICT infrastructure to be in the cloud within two years.
- The development and implementation of the new Target Operating Model for ICT is due to be completed for approval in December 2022 with an implementation timeline of March 2023.
- A Data Management Policy was launched 3 October 2022. The policy will support strengthening of our corporate intelligence, embed data ownership and monitoring of data standards and move towards more standardised reporting

3.6 The above is accompanied by a programme of savings and efficiencies including:

- Further rationalisation of printers across the estate
- Energy savings through putting unused machines to sleep
- Strict inventory control and reducing the number of mobile phones etc.
- Rationalisation of software applications where possible and hardware with the move to the cloud.

These proposals are estimated to achieve £359k p.a. by the end of the initial three-year period and a further £0.6m p.a. by the fifth year. The most significant benefits will come from the implementation of the new technology roadmap that underpins the ICT strategy:

- Phase 1 will include savings from the hybrid cloud strategy. There will also be savings from the rationalisation of existing systems such as the move away from Citrix and turning off legacy email systems.
- Phase 2 will include further system rationalisation including the replacement of the current recruitment solution, and Finance and HR Solutions
- Finally, linked to the work to further rationalise the council's office estate will enable ICT savings from having fewer premises on the network.

3.7 The roll out of automation is being tested in two areas. Whilst not primarily about delivering efficiencies, it will enable the workforce to operate more effectively and manage existing/growing workloads within the available resources.

A More Purposeful and Effective Core

This workstream will reshape how the Core operates so that core services, systems and processes are customer-focussed incorporating self-service and digital functions where appropriate, mirroring the RBDXP work for the council's workforce.

3.8 The key deliverables include:

- The implementation of the new operating model with the move to digital first. This will ensure we realise the benefits from the implementation of

the technology investment including the replacement of the current ERP (Finance, HR and procurement) system, which is end of life, to be implemented by 2025, new recruitment system in the current financial year, legal case management system in 2023 and contract management system.

- Whilst all service areas are working on this the following areas have been accelerated: ICT service desk, Recruitment process and Legal casework, all to be completed in 2022 with the aim is to improve productivity /reduce costs through channel shift and reducing handovers and failure demand.
- Budget monitoring and capital prioritisation process reviews will be fully implemented in 2022 and are being aligned to wider pieces of work.

3.9 In total both phases are expected to achieve savings of £1.425m p.a by the end of the initial three-year period, with a further £0.8m p.a. by the fifth year.

Further Budget Savings and Efficiencies

3.10 As stated in the introduction to the report work has also been carried out to:

- Review our workforce structures and capacity taking a realistic view on the ability to fill longstanding vacancies.
- All Heads of Service have been asked to review their service areas to identify efficiencies or opportunities for income generation.
- Delivering a corporate programme of work on ensuring the basics are right, sound and competitive procurement, approach to managing inflation, ensuring income budgets are maximised and charges appropriate.

The resultant work has identified a further £3.59m made up of a combination of £300k additional income generation and £3.29m efficiencies, including the targeted investment of reserves, deletion of vacant posts and review of legacy pension budgets. Details of the proposals are set out at Appendix 1.

The table below sets out the total planned savings and efficiencies and the details are contained within Appendix 1.

Corporate Core - Savings proposals

Future Shape Theme	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Grand Total £000's
Customer Experience (RBDXP)	0	200	450	500	850	2,000
More Purposeful & Effective Core	372	520	533	400	400	2,225
Digital Data Insights	100	50	209	300	300	959
Future Shape Total	472	770	1,192	1,200	1,550	5,184
Further Savings & Efficiencies	3,195	205	190	0	0	3,590
Total Corporate Core	3,667	975	1,382	1,200	1,550	8,774

Operations and Commissioning Services Approach to Savings

- 3.11 As part of looking to identify possible savings to support the overall budget priority has been given to generating increased income, the total savings options identified total £4.236m over the three-year period and £4.186m is through increased income. The proposed savings options from across Operations and Commissioning are set out in table 3 of Appendix 1.

Investment Priorities

- 3.12 As the budget covering report refers, due to the unprecedented pressures facing our residents, it is recommended that the budget includes additional provision to provide some additional targeted support to our residents.

Table 4 – Cost of Living Response – New Investment 2023/24

	2023/24 Recom- mended £000	Comments
Food response	1,000	Working with the Community Food Partnership the majority will be invested in ambient stock and storage which all food providers in the city can access. In addition, there will be targeted support in the 11 priority wards where there is greatest need /vulnerability to the Cost of Living crisis.
Local Welfare Provision	600	Additional funding for the Local Welfare Provision scheme operated by the Revenues and Benefits Service. This scheme helps cover essential costs for households in crisis including one-off crisis cash payments and basic white goods & furniture for residents moving from temporary to permanent accommodation.
Other Welfare Schemes	50	Additional support for S17 payments to vulnerable families and for care leavers.
Discretionary Housing Payments	1,000	This is to reinstate the previous budget reduction in this area due to the growing demand for support. The primary aim to support people in their own tenancies and to stop people from becoming homeless.
CHEM	200	Covid Health Equity Manchester to support Communities experiencing racial inequality and other inequalities more likely to be impacted by the cost of living crisis
Support to VCSE	500	Additional support to increase the capacity of the VCSE sector to respond to the COL crisis in the wards most affected and citywide
Expand advice & debt support offer	200	Additional investment to expand the advice & debt support offer with a focus on residents who are in the private rented sector
Total	3,550	

Emerging Budget Pressures to be considered

- 3.12 As part of the 2022/2023 budget process there were a number of budgets pressures identified for future years, and they are summarised in Appendix 2, and further details are set out below. In addition, to these there is a further pressure in relation to security software
- 3.13 As reported in the 2022/23 Corporate Core budget report, the Gorton Hub is expected to open in 2022/23 and will include both City Council and Partner offices. There is c£0.5m additional resources proposed for both 2022/23 and 2023/24 which are a combination of increased costs due to higher specified accommodation, and to cover costs of vacant units until the Hub is fully let.

The Hub includes additional quality space to meet future requirements for office space and feed into the wider ongoing review of office space.

3.14 In addition, the following new pressures have been identified for 2023/24:

- Information Technology £0.75m - as part of the ICT strategy there have been including rolling out the end user device strategy. In order to provide an ongoing refresh of kit and additional revenue requirements of c£0.75m will be required from 2024/25.
- Additional security software - there has also been increased requirements in respect of ensuring systems remain secure, and to avoid any security compromises and to aid this additional software has been installed in 2022/23 and the full year costs in 2023/24 will be c£461k per annum.
- Financial Management increased licence software to support the implementation of Civica costs £20k
- HR/OD £46k reduced payroll income as schools use alternative providers.

3.15 If the proposed changes are approved the three-year budget position is shown in Appendix 3.

3.16 Operations and Commissioning have identified an emerging pressure in respect of Off Street Car parking and this follows the pandemic, the number of car park users has increased, but has not returned to pre covid levels, this is due to changes in working arrangements with more people now working flexibly and not using the offices in the traditional 5 day working week. This is particularly relevant to the season ticket sales which are only at around 24% of pre covid levels. The pay on the day users are at around 72% of pre covid levels, this results in forecast pressure of c£3m due to reduced income. There has been a recent price change, and this will come into effect in November 2022, and the implications of this are not yet known. Officers will continue to review car park usage and any implications of the change in pricing and this will be reported in the January Scrutiny Committee.

4. Workforce Implications

4.1 Corporate Services currently has 2,011 budgeted FTE, the savings proposals outlined in appendix one indicates a reduction of 53 FTE over the 3-year period. This will be managed through natural turnover and management of vacancies.

4.2 Operations and Commissioning has 126 FTE and the savings proposals include deleting 1 vacant post in markets.

4.3 Vacancy Factor

The Council's establishment is fully budgeted for at the top of the grade. In reality there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to

recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

5. Equality and Anti-Poverty Impact

- 5.1 Each Saving proposals will be supported by robust business cases where consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and a Poverty Impact Assessment as part of the detailed planning and implementation. Work is also underway on the way in which equalities data is collected across the Council, supporting the ability to be better informed on the impact of changes being made to services.
- 5.2 The current saving proposals in the core directorate focus on delivering efficiencies and implementing new ways of working with limited impact on services which directly deliver to residents. However, the major projects within these proposals, such as RBDXP, have equality and inclusion at their heart and have embedded this in their design stages with robust EqIAs in place at a project level. Due to this diligence at the design stage of these projects no direct impacts on people and specifically MCC priority protected characteristics have been identified. This will remain under review throughout the further development of these proposals.
- 5.3 The work that will be carried out on individual business cases will be complemented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. The Core Directorate will review how the use of their budget as a whole, not just that of budget savings/reductions, might mitigate or positively impact on equality, anti-poverty, and how social value can be maximised.

6. Future opportunities and Risks

- 6.1 Whilst there is some provision proposed as part of the budget options the longer-term impacts of the current economic climate are still unknown, and this is likely to have ongoing impacts in terms of both increased demands for direct financial support but also increased demands on service areas across the Council. In addition to the support for residents the current economic uncertainty is likely to continue resulting in increased contractual costs for goods and services because of higher inflationary pressures across all services.

7. Appendices

Appendix 1 – Savings Schedule

Appendix 2 – Pressures/Growth Schedule

Appendix 3 – Indicative Medium-Term Budgets by Service

Appendix 4 – Indicative Medium-Term Budgets by Type of Spend/Income