

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee – 3 November 2020
Executive – 11 November 2020

Subject: Corporate Core Budget Options 2021/22

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

Purpose of Report

As part of the planning for the 2021/22 budget, the Council is estimating an initial budget gap of £105m in 2021/22, increasing to £159m in 2022/23. All Directorates have been looking to identify savings options for consideration by Members. This report sets out the details on the initial savings options proposed by officers. The savings options will be considered by all six Scrutiny Committees for those within their remit.

Recommendations

The Committee is asked to consider and make recommendations to Executive on the savings options put forward by officers and prioritise which options they believe should be taken forward to ensure the Council is able to deliver a balanced budget.

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.

<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>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.</p>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>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.</p>

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The savings options included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2021/22 budget preparation.

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 options 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.

Corporate Core Budget 2020/21 - Executive 12 February 2020

1 Introduction

- 1.1 This report should be read in conjunction with the covering report and sets out the cuts options put forward by officers to support the work to deliver a balanced budget in 2021/22. Unless further Government support is forthcoming as part of the Spending Review and Finance Settlement the Council is facing a potential budget gap of £105m in 2021/22 which will be ongoing into future years. Therefore, the report also sets out in less detail further cuts which the Council is seeking to avoid but may have to consider if any further funding to support the Council is not forthcoming.
- 1.2 In order to plan effectively to deliver a balanced budget all Directorates are developing cuts options, totalling a combined c.£50m, where work needs to start as part of the process to achieve a balanced budget for 2021/22. These have been developed alongside Heads of Service and wherever possible consideration has been given to protecting front line services and to protect the capacity to support the recovery planning. Inevitably this means a larger proportion of savings falling on the Corporate Core which will have a significant impact on Core capacity at the time the Council most needs it.
- 1.3 The report also includes those areas of service which are within the remit of Resources and Governance Scrutiny Committee but not within the Corporate Core, namely operational property, facilities management, the investment estate from Growth and Development, business units and Commercial operations from Neighbourhoods Directorate. Details of the cuts options within these areas are set out in section 5 of this report.
- 1.4 Currently the Core has identified officer cut proposals of £7.127m. This broadly equates to a reduction of 130fte's, against which there are c33 vacancies. If further budgets cuts are required, options for an additional £7.3m has been identified. However, these would reduce the Corporate Core headcount by a further 124fte and reduce capacity down to the provision of the bare minimum. This would also impact on the ability to effectively collect revenues and benefit claims to the current timescales. The Council are working hard to avoid these more drastic cuts.
- 1.5 As part of identifying the cuts options consideration has been given to trying to minimise the impact on other Council services and residents, although this is not always possible.

2 Corporate Core Directorate 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 **Our Corporate Plan priorities** and the wider vision for the city.
- 2.3 The Core also 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
 - 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.

3 Corporate Core 2020/21 Budget Position

- 3.1 The Corporate Core has a net budget of £76.9m, with 1,823fte's employees. The breakdown by service area is provided in the table below:

Table 1: 2020/21 base budget

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budgeted Posts (FTE)
Legal Services	12,485	6,750	262
Elections	1,159	1,061	12
Coroners & Registrars	3,629	2,286	56
Executive Office	967	967	12
Communications	4,758	3,295	83
CEX Corporate Items	1,561	545	-
Chief Executives Sub Total	24,559	14,904	425
Procurement & Commissioning	1,667	1,371	32
Commercial Governance	323	250	6
Revenue & Benefits	219,103	16,494	345
Financial Management	5,740	5,374	150
ICT	13,570	13,520	161
Human Resources & Organisational Development	4,230	4,003	89
Audit, Risk & Resilience	1,850	1,427	43
Shared Service Centre	1,632	1,045	93
Customer Services	4,154	4,083	175
Policy, Performance & Reform	20,302	15,367	178
Capital Programmes	475	(163)	90
Parking & Bus Lane Enforcement	17,956	(983)	36
Corporate Items	299	226	-
Corporate Services Sub Total	291,301	62,014	1,398
Corporate Core Grand Total	315,860	76,918	1,823

- 3.2 The 2020/21 cash limit budget is £76,918m and this is net of the £3.449m savings that were approved as part of the 2020/21 budget process.

Current In year forecast Position at August 20 (Period 5)

- 3.3 As at August 2020 the Directorate was forecasting a net overspend of £1.295m, this includes COVID-19 related pressures of £4.322m, offset by in year savings and other mitigations of £3.027m.

- 3.4 The COVID-19 pressures include £1.907m of increased costs. These are predominately made up of the increased costs for ICT to support more staff to work flexibly and additional costs for the Coroners Service. In addition, there is £2.415m of reduced income from sales, fees and charges. This includes reduced capital fee income due to the slowing down of capital schemes (£1m), reduced registrars income (£281k) due to reduced numbers of ceremonies, legal services fee income (£325k) due to reduced commercial activity, communications (£249k) lower than forecast activity across the service, revenue and benefits (£259k) because of lower income from court fees and lower than expected take up of the annual leave purchase scheme (£310k).
- 3.5 The pressures are in part offset by in year forecast savings of £3.027m which largely relate to posts that have been held vacant and reduced running costs across all Core services.

4 Savings Options

- 4.1 Heads of Service have been reviewing all the budgets across the Core in order to identify savings and cuts options for consideration by members. These will in part build on the Future Council work which has been reviewing existing working practices in order to streamline and automate or increase the amount of self-service that can be undertaken. This includes looking at how services such as ICT, Finance, HR/OD and the Shared Service Centre can reduce the level of resources through increasing triage support to managers on the back of improved ICT applications such as the new intranet. Good progress has been made with work already undertaken to improve ICT infrastructure resilience and capability, the migration to Microsoft 365 with increased collaboration functionality and the launch of the new intranet due November 2020. However, the real process improvements will not come until the replacement of SAP and the budget cuts will therefore lead to a real reduction in the level of support that can be provided.
- 4.2 Although the options set out in this report are City Council resources the impact on work with health partners will also need to be considered. As will the impact on the other Directorates in the council that will see a reduction of the capacity available to them, as well as the impact their planned changes will have on the Corporate Core.
- 4.3 As set out in the covering report, the Council is working hard to determine what the future shape of the Council will be which will set the framework for further cuts required in the future. However due to the severity of the budget position further cuts may need to be enacted quickly if further funding is not forthcoming in the Finance Settlement. The Council is working hard to avoid these but the potential options which would need to come back to Scrutiny Committee are set out in Section 6 of the report.

- 4.4 The initial options identified from the Core as part of the wider £50m savings equate to **c£7.127m** with a **reduction of 130fte**. These options are set out in the paragraphs below.

Legal Services - £170k -3fte's

- 4.5 A review of business support has identified an opportunity to reduce administration and business support requirements with **initial savings of c£96k through a reduction of 3fte**.
- 4.6 Efficiency in operations through the increased use of single justice procedure for bulk prosecutions is expected to lead to further increases to external income. This alongside reductions of existing supplies and services budgets will deliver savings of **£49k in 2021/22, increasing by a further £25k 2022/23**.
- 4.7 Prior to considering any further reductions to Legal Services the implications of the changes across all Directorates need to be reviewed. The objective is to continue to restrict the use of external legal services in order to minimise costs to the Council as externalisation of legal work is more expensive than the in- house service. Further efficiencies will be delivered when a case management system is in place in 12 to 18 months' time and this will be factored into savings proposals for 2022/23.

Coroners and Registrars - £198k -7fte's

- 4.8 Following the successful introduction of the new Coroners case management system and resulting efficiencies it is proposed to reduce the current headcount by **7fte which will deliver savings of £198k**.

Executive Office -£15k

- 4.9 Savings of **£15k** have been identified as part of the initial proposals through reductions in supplies and services budgets, including reductions in travel costs due to the changes in working practices.

Communications - £300k – 4fte's

- 4.10 Strategic communications cover the communications and digital teams as well as commercial translations, presentations, design and print services (under the M-Four brand). To deliver savings in 2021/22, the service will need to stop some traditional activities where there is alternative provision. Service reductions and efficiencies **totalling £163k** are proposed. This includes providing council tax and business rate booklets online only, as well as no longer printing and delivering an annual refuse collection calendar to all households. Other measures include a reduction in sponsorship and a move to second class mail only.
- 4.11 These measures will be supplemented by a reduction in **4fte posts (£137k)** from across the team. As many posts across the service are funded by the

income they generate, any further staffing reductions would need to involve a review of the structures across strategic communications.

Procurement & Commissioning and Commercial Governance - £158k -2fte's

- 4.12 The proposed cut will reduce the senior capacity available to support other Directorates in commissioning services and the delivery of procurement savings. The initial savings will be achieved through a reduction of 2fte saving £122k, along with increasing external income £28k from commercial arrangements undertaken by Manchester Professional Services Ltd providing company secretary functions and cutting supplies and services budgets by £8k.

Revenue and Benefits - £2.006m -16.5fte's

- 4.13 After reviewing the service and capturing vacancies of almost £0.8m across revenues and benefits, shared service centre including nine posts from the Customer Service Centre; the cuts in staffing will require an overall reduction of 16.5fte. This will involve:
- A fundamental review of the customer service centre offer and the approach to home visits. This will include the offer to residents that protects, and in some areas improves services, avoids unnecessary evidence and paper, keeps residents and staff safe and makes significant savings. It should be noted that since March the Customer Service Centre (CSC) and home visits have been suspended.
 - Reductions and changes to the housing benefit and council tax support function. Here the reduction would need to be balanced against the level of savings that could be lost to both the council tax support budget and the National pot. Before this decision is made further discussions will be held with Internal Audit around establishing a joint counter fraud service and whether there is a way of recognising some of the income recovered in the accounts in order to protect the capacity going forward.
 - Reductions in the revenue collection team; although the impact of reduced resources would need to be balanced against likely detrimental impact on collection rates.
- 4.14 As part of reviewing options the objective has been to protect the core areas of assessment and revenue collection as far as possible. It should also be noted that the service is under increasing pressure due to the need to implement specific COVID-19 related support schemes across welfare payments and Council tax support schemes, Business Rates grants and payments to people who must self-isolate. In order to protect the capacity to maintain these services, it would be proposed that the implementation of these reductions is phased to avoid an unacceptable drop in service delivery and maintain revenue collection.
- 4.15 There are a number of vacancies within other service areas within the same service area (parking and customer services) which the Director will look to fill or delete as appropriate which gives some flexibility for delivering the staffing

reductions. The nature of the roles means that there are significant transferable skills within the functional areas.

- 4.16 In addition it is proposed to **reduce existing discretionary housing payments budget by £1.5m**. The Government currently provide £2.538m grant support for discretionary housing payments, and it is proposed that the City Council mainstream resource of £1.5m that supplements the Government funding is withdrawn from 2021/22. Although this will be a significant reduction on the available support to residents at a time when the demand for this support will potentially be increasing, it is anticipated that some of the impact will be mitigated because there have been temporary increases to the Local Housing Allowance Rates, that increases the level of benefit entitlement towards tenants rents, and the £20 increase in universal credit has also led to a reduction in the call on the DHP budgets.
- 4.17 There have also been amendments in the benefit rules that changes how homeless families in dispersed accommodation are treated and this has also reduced the DHP spend in this area compared with previous years.
- 4.18 Given the nature of the benefits regime, the economic situation and the lack of control over government decisions there is always a risk that cutting this budget will mean that we have to make tougher decisions and prioritise the most vulnerable cases, but this would be possible within the £2.538m core budget.

Shared Service Centre - £252k - 8.8fte

- 4.19 There will be a reduction of 8.8fte. and savings of £252k. These posts are already vacant, and this is formalising planned reductions within the service.

Customer Services - £0.614m -19.3fte

- 4.20 A different offer for how the Council provides help and advice to residents is being developed and there will be a separate consultation and engagement process for this. The revised offer must also be accessible and meet the needs of all members of our communities including those affected by digital and financial exclusion. This new offer will move away from the current city centre based face to face offer with the capability to provide enhanced telephone services including those for residents with additional support needs, more support online and targeted one to one support in localities, but only where it is really required.
- 4.21 All staff in the CSC have been undertaking non-face to face roles during the period of the closure of the CSC in the Town Hall that has been closed since Mid-March. During this period new models and access channels have been developed and improved with more work to do in the months ahead including the development of an IT platform that will support the new approach. With the introduction of a new ICT platform and more remote/virtual working this will lead to a reduction **c16fte and save annual costs of c£0.538m**. There are currently 8 vacant posts within the team.

- 4.22 In addition, there will be a reduction of **3fte for the Neighbourhood Services Contact Centre to save £76k**. Whilst this will impact on response times these posts are already vacant and this is formalising the current position. In order to avoid a detrimental impact on service delivery this is being aligned to the new telephony system and other system enhancements, but it could lead to a small increase in customer wait times.

Financial Management - £0.843m – 20fte

- 4.23 The number of posts will be cut by **20fte saving £800k**. This includes the disestablishment of 7 vacancies and a reduction in the support provided to services from across Financial Management, although areas that provide direct support to residents, including Client Financial Services who safeguard residents' finances through the provision of appointeeship and deputyship services and the statutory welfare funerals service, will not be reduced. Whilst the aim is to maintain some of the previous levels of service through introducing more automation, streamlining support provided to partner organisations and introducing more self-service this does mean that Directorates will receive less support and there will be a reduction in the frequency of some of the monitoring activity. In addition to the staff reductions **£43k is proposed through the reduction of existing supplies and services budgets**, including training and travel along with increased income.

ICT - £1m – 10fte

- 4.24 There is a planned reduction of **10fte that will save c£400k**. The ICT Target Operating Model is being reviewed, and this has identified several areas that will need to change as the ICT Strategy is progressed. This will include a different Service Desk and Know It All offer that is more focussed on “get it right first time” and a different model for Service Delivery and Operations based on the skills that will be required to support the system changes being implemented now, for example with the moves to Microsoft and Liquid Logic and the changes to ICT infrastructure and those that are planned such as the replacement of SAP. There are currently 10 vacancies within the service and there is a mismatch of current skills and those that will be required in the future that will need to be addressed once the target operating model is established.
- 4.25 There will be a **£200k reduction in telephony and printing costs** through rationalisation of the estate and changes to working practices with fewer devices across the estate. The telephony budgets will include both mobile devices, and desktop phones. Currently Directorates hold mobile telephony budgets, and this will need to be looked at across all Directorates.
- 4.26 It is also proposed to review all systems and infrastructure costs in order to identify opportunities to reduce and rationalise the numbers of systems in line with the needs of the Council going forward. The savings from licence renewals are phased with **£100k in 2021/22 increasing to £400k in 2022/23**.

Human Resources - £0.543m – 13fte's

- 4.27 The cuts below are predicated on moving to a new operating model and having a more effective 'front door' service. The real efficiencies will only come with the replacement of existing systems, which is still 18-24 months away and there will be a reduction in the service that is offered. The changes involve a reduction **of 13fte**, and this will require a review of the existing service offer and target operating model.
- 4.28 It is recommended that the reductions in the support for service change and some delivery capacity are deferred for nine months to support the service reorganisations across the Council and the potential move to bring the ALMO back in house with five posts retained during that period to ensure that this work can be supported. This would require the £0.543m savings to be phased £306k 2021/22 and £237k in 2022/23.

Audit, Risk and Resilience - £118k -3fte

- 4.29 There will be a reduction of 3fte across insurance, health and safety and internal audit. These will be met through a restructure which will include the removal of two existing vacancies.
- 4.30 There will be an impact on the scale of the audit plan and core risk management, resilience and safety work will require additional self-service from managers around claims investigation and safety competence within services.

Capital Programmes

- 4.31 Whilst services in this area are funded from the capital programme, work is being carried out to deliver savings. Due to the current construction market it has been possible to fill a higher number of technical roles which has reduced the reliance on external consultancy. In addition, there remain 17 vacancies within the team which will only be filled if they are required for the future capital programme.

Policy, Performance and Reform - £0.910m – 23fte's

- 4.32 The options include a reduction of up to 23 posts across the service in addition to seven-time limited posts where the funding ends in this financial year. The options include the following:
- *City Policy* - there will be a review to bring the Policy and Partnerships and Resourcing and Programmes functions closer together to focus on thematic areas. The current options include the reduction of **4fte** from within the existing structure, in addition to savings from **non-staff budgets for consultancy and subscriptions, these total £270k**. The review will include a reappraisal of priorities to be agreed with Members in line with the Our Manchester Strategy reset and the Corporate Plan. The actual

reduction in posts will be less if additional external funding is secured from ERDF.

- *Performance (PRI - Performance, Research and Intelligence)* – The service would be reduced from five teams into three which will focus on People, Core and Place. This will achieve a net reduction of **16fte and save c£0.5m**. As a result, there will be less capacity to carry out work for data governance, performance reporting for Directorates and bespoke research and analysis. The offer for health and social care will need to be reduced and aligned with resources from system partners. Until new system improvements are put in place with the 'data integration layer' and enhanced reporting that will come with Liquid Logic, the impact on what can be produced will be significant and will need to be agreed with Strategic Directors.
- *Reform and Innovation (R&I)* - There are planned savings of **3fte which will save £140k**. The impact will be the ending of the R&I support to Our Manchester Engagement work, a significant reduction in the governance and planning capacity and moving back to a core offer for health and social care.

5. Other Cuts Options within the Remit of Resources and Governance Committee

- 5.1 This section includes the current officer options for other service areas outside of the Corporate Core which form part of the remit for Resources and Governance Scrutiny Committee. The details are set out in the following paragraphs and are shown in a separate table at the end of this report.

Growth and Development

- 5.2 **Operational Property -£0.638m -1.4fte**, since March 2020 the Council have made huge progress with the flexible working agenda, and this has provided an opportunity to replan for a smaller, higher quality, lower cost and lower carbon estate. This will be delivered alongside the Future Council work and link in with the ICT strategy. The work is focussing on the use of office space rather than community-based assets. There may be a need for some limited capital investment on an invest to save basis to ensure space can be used more flexibly. The work will target reductions in leased buildings as well as looking at whether more space can be shared with partners to generate rental income. The savings will be delivered over a four-year period.
- 5.3 As part of the review of estate, opportunities for potential sale and leaseback of assets will be identified and detailed options appraisal undertaken to determine if revenue savings can be achieved. Work is ongoing looking at this option, and if savings opportunities are identified these will be considered as part of the 2022/23 budget.
- 5.4 In addition to the review of the estate it is proposed to reduce the headcount by 1.4fte and save £36k. This will be achieved through the deletion of 1.4 existing vacant posts.

- 5.5 **Facilities Management - £270k -10ftes** the service includes building cleaning, security and repairs and maintenance, of which cleaning is provided in house, whilst the other two contracts are external contracts. As part of the recent procurement exercise for security it was agreed that the contractor would undertake a review of all existing security arrangements after an initial period of operation. Unfortunately, because of the Covid-19 impact the contractor has not yet worked under usual business conditions. Work is ongoing to identify possible savings options although these will need to be balanced against the increased risk.
- 5.6 Currently there are **10 vacant positions** with Facilities Management, and it is proposed to delete these posts to achieve **savings of £270k**.
- 5.7 **Investment Estate - £0.675m** - this will be achieved through increased income from the following areas: -
- Review existing fees for surveyors and ensure projects are covering the appropriate fee costs - £75k
 - New ground rental portfolio to be secured against long leasehold disposal of land as part of Northern Gateway development - £300k (2023/24)
 - Maximising income generation or reducing expenditure on assets through increased partnership arrangements - £300k.
- 5.8 In addition a review of all commercial interests will be undertaken with a view to rationalising the estate through the identification of non-surplus generating assets which could then be sold to generate income and reduce ongoing costs.

Neighbourhood Services

- 5.9 **Operations and Commissioning - £6.385m**, - In continuing to develop the commercial offer and seeking to maximise external income, options have been identified that could provide **income of c£6.385m**, although only £225k of this will be realised in 2022/23, this includes:
- 5.10 Advertising - The tenders for the small format advertising contract were received in September and the new contract goes live from January 2021. It is anticipated that there will be an additional £1.3m per annum available once the contract has been awarded.
- 5.11 Generation of a further £0.5m through advertising revenue. This will include a new large format site at Dawson St (£50k), and the introduction of a large new advertising screen in Piccadilly Gardens. The latter screen will be developed as part of the Piccadilly Gardens community scheme and could generate around £450k per annum. This will require planning permission and if approved there would be a lead time of around six months following any decision to proceed with these schemes.

- 5.12 The existing **off-street parking** joint venture ends 31st December. The future arrangements will be managed in house from January 2021 when the City Council will take on responsibility for the ongoing management and maintenance of the City Council car parks, funded through the parking fee income generated through the use of the car parks. It is anticipated that the surplus income retained by the City Council will be around £4.5m per annum, assuming parking levels return to normal during 2021/22.
- 5.13 **Bereavement Services** have continued to overachieve on their income generation targets through fees and charges, it is proposed that through the introduction of an above inflation increase to the existing fees and charges additional income of £85k could be generated in 2021/22. This would bring fees and charges in line with other local authority areas.
- 5.14 Proposals are also being put forward for the Council's traded services that can no longer operate without a subsidy. These relate to the Council's school catering offer and to the provision of the indoor Wythenshawe Market. In both cases these proposals will be bought forward to December Executive to cease trading to avoid any further costs to the Council.
- 5.15 The **School Catering** service is in a position of terminal decline as schools opt for cheaper providers, resulting in continuously reducing economies of scale. The income from the service has reduced considerably. The net budget in 2018 was for surplus income of £620k with a service being provided to 90 schools. The service is now being provided to 74 schools with a net income target of just £60k. The budget includes a contribution of £434k from reserves which means that the service costs £374k to operate. A report is being prepared to go to Executive in December 2020 with a proposal to accelerate the withdrawal of the council offer for the school meals provider market in 2021/22 in order to avoid the need for further revenue support to the school meals function. Cost avoidance is c£450k. Staff directly employed in this service will transfer, either to the school or if the school preferred to commission the service, to another provider. The impact on other council support services is being assessed.
- 5.16 Markets operate on a cost recovery basis except for **Wythenshawe Market** which has been for some time in receipt of a subsidy from the Council. It is not an option for the council to continue to subsidise what is in effect a private enterprise and a proposal is being developed for the closure of the indoor element of Wythenshawe Market, which will provide savings of £110k through the removal of the existing subsidy. Work will progress to support the traders to access alternative sites, either in the outdoor market or elsewhere within the City. The outdoor market will remain operational.

6. Further Budget Options

- 6.1 As set out in the covering report, the Council is working hard to determine

what the future shape of the Council will be which will set the framework for further cuts required in the future. However due to the severity of the budget position further cuts may need to be enacted quickly if further funding is not forthcoming in the Finance Settlement. These are not cuts that are being recommended at this stage and the Council is working hard to avoid these but the potential options which would need to come back to Scrutiny are set out below.

6.2 Work has already commenced to look at further options, and these currently amount to c£7.3m, and this is made up of further staffing reductions of c£4.2m which would require an additional reduction of up to 124 fte, and c£3.1m non staffing reductions. The additional reductions are not recommended as it will reduce capacity down to the provision of the minimum of support that would be required and place a lot more emphasis on managers across the council having to provide a lot of the capacity themselves at a point when their resources are being stretched. It would also impact on the collection of revenues and the level of support that can be provided to residents, particularly around benefit claims. The options include:

- A reduction of a further 30fte from across Policy, Performance & Reform. This would require a further review of the existing structures and have a significant impact on service capacity. For example, this would mean that only statutory reporting could be provided.
- A further reduction of 59fte across Customer Service and Shared Service Centre and Revenues. Whilst this would reduce costs cuts of this scale would have a significant impact on income collection and debt recovery and the level of service provided to residents.
- A reduction of c23fte across Human Resources and Finance. This would require a fundamental review of services and agreement to stop delivering a lot of the support currently provided.
- Other services across the core including Communications, Registrars, Executive - a reduction of c12fte's.

6.3 The above options are scalable, and should they be required they will be bought back in more detail for consideration by this Committee in December /January along with an analysis of their impact.

6.4 As well as the workforce reductions outlined above there would be further proposals for reductions to non-staffing budgets of £3.1m, and these include reductions in the level of support to voluntary and charitable organisations from the current budget of c.£1.6m, a reduction to the Welfare Provision Scheme c£0.7m and reduced subscriptions. Again, these measures would only be considered in the worst-case scenario.

7 Workforce Implications

7.1 The options set out in this report will lead to the deletion of c.130fte posts in

the Corporate Core, of which 33fte are vacant.

- 7.2 In order to achieve the reductions, set out in this report, the council will open a limited voluntary redundancy/voluntary early retirement scheme predominately in those areas in the corporate core which are aiming to achieve staffing reductions, but on a limited basis for time limited or other posts and in other areas where there are savings or changes need to be achieved. Detail of this scheme will be reported to Personnel Committee on 11 November.
- 7.3 The government has passed regulations which implement a public sector exit pay cap of £95k from 4th November. This means that anyone leaving with a severance package – which includes redundancy pay and actuarial strain on pension – over £95k will have it reduced to that cap. The regulations are not yet in place and this will add further complexity to the scheme.
- 7.4 Consultations have started with Trades Unions on the MPeople processes to ensure that the Council does not lose the 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.

8. Equalities

- 8.1 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.
- 8.2 Each of the proposals outlined, if taken forward, will need to consider the requirement and completion of an Equality Impact Assessment. The outcome of which will inform the future planning and delivery to ensure that no residents are disproportionately affected by the changes to services.

9. Conclusion

- 9.1 The Council is facing a period of significant change and there are growing demands on capacity alongside the need to make budget cuts. The budget gap is currently £105m for 2021/22 and increases in the following financial year. A programme of cuts of c£50m are required at this stage that can be implemented from 1 April to ensure a balanced budget can be achieved. If no further funding is forthcoming, then further cuts will have to be made. The options put forward in this report set out the recommended options to achieving that £50m along with more severe cuts that can be developed if the situation requires. The future council work is ongoing which will set out

what sort of Council we want to be in the longer term, building on the feedback in the Our Manchester Strategy reset, considering the major changes the Council is facing and the fact that there will be less resources available in the future. This will also provide the framework for future budget decisions.

- 9.2 The Directorate budget proposals will be subject to further refinement following feedback from Scrutiny Committee and updated prior to being submitted to Executive. A further report will be brought back to January Scrutiny that incorporates the feedback from this meeting, the budget consultation, the impact of the Finance Settlement and the outcomes of the VER/VS scheme.

10. Recommendations

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

Service	Description of Saving	Type of Saving	RAG Deliverability	RAG Impact	21/22	22/23	23/24	24/25	Total	FTE's
					£000's	£000's	£000's	£000's	£000's	
Legal Services	Reduce staff resources - 3fte's	Efficiency	Green	Green	96				96	3
	Increased income and reduced supplies and services	Efficiency	Green	Green	49	25			74	
Coroners & Registrars	Reduce staff resources - 7fte's	Reduction	Amber	Green	198				198	7
Executive	Travel/subsistence expenses reductions	Efficiency	Green	Green	15				15	
Communications	Reduce staff resources - 4fte's	Reduction	Amber	Amber	137				137	4
	Reduce printing costs, increase recharges and postage	Efficiency	Green	Green	163				163	
Procurement, Commissioning and Commercial Governance	Reduce staff resources - 2 vacant posts	Reduction	Green	Red	122				122	2
	Increase income and reduce supplies and services	Reduction	Green	Amber	36				36	
Revenues and Benefits	Reduce staff resources - 16.5fte	Reduction	Amber	Red	506				506	16.5
	Reduce Discretionary Housing Payments	Reduction	Green	Red	1500				1500	
Financial Management	Reduce staff resources - 20fte's, (includes 7 vacant posts)	Reduction	Amber	Amber	843				843	20
ICT	Reduce staff resources - 10fte's	Reduction	Amber	Amber	400				400	10
	Savings on system running costs and telephony	Efficiency	Amber	Amber	300	300			600	
HR/OD	Reduce staff resources - 13fte's	Reduction	Amber	Amber	306	237			543	13
Audit	Reduce staff resources – 3fte's, and staff travel (£10k)	Reduction	Amber	Amber	118				118	3
Shared Service Centre	Reduce staff resources – 8.8fte's (All vacant posts)	Reduction	Green	Green	252				252	8.8
Customer Services	Reduce staff resources - 19.3fte's	Reduction	Amber	Amber	614				614	19.3

City Policy	Reduce staff resources -4fte's and special projects	Reduction	Amber	Amber	270				270	4
PRI	Reduce staff resources -16fte's	Reduction	Amber	Red	500				500	16
Reform & Innovation	Reduce Staff resources – 3fte's	Reduction	Amber	Red	140				140	3
Corporate Core Totals					6,565	562			7,127	129.6

Other Service Areas within Resources and Governance Remit										
Growth & Development										
Operational Property	Reduce office costs through reduced estate	Efficiency	Green	Green	610	591	304	(905)	600	
	Reduce staff resources – 1.4fte's (Vacant)	Reduction	Green	Green	36				36	1.4
Facilities Management	Reduce staff resources – 10fte's (Vacant)	Reduction	Green	Green	270				270	10
Investment Estate	Revise Surveyors Fee Scales	Income	Green	Green	75				75	
	Maximise income generation from assets	Income	Green	Green	300				300	
	Increased ground rent -long leasehold	Income	Green	Amber			300		300	
Neighbourhoods Directorate										
Operations & Commissioning	Increased Income from small format contract	Income	Green	Green	1300				1300	
	New Advertising screen – Piccadilly Gardens	Income	Red	Red	225	225			450	
	Large Format Advertising screen – Dawson St	Income	Amber	Amber	50				50	
	In House car park operation – Post JV	Income	Green	Green	4,500				4,500	
Bereavements	Above inflationary price increase	Income	Green	Green	85				85	
Other Directorates Total					7,451	816	604	(905)	7,966	11.4

