

**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 23 May 2018

Subject: Economy Scrutiny Committee Overview Report– Key Issues for Consideration during 2018/19

Report of: The Chief Executive

Summary

To provide an overview of some of the key issues relating to Manchester’s economy that will be of particular relevance to the work of the Committee over the coming year prior to it setting its work programme for 2018/19.

Recommendations

That the Scrutiny Committee members note and comment on the content of this report and accompanying presentation to indicate which of the matters identified Members would like to consider in more detail during the course of the coming year.

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	The health of the city’s economy is fundamental to the future prosperity of the city’s residents and to ensuring there are jobs and opportunities for all.
A highly skilled city: world class and home grown talent sustaining the city’s economic success	Issues relating to the development of the skills of the city’s residents are discussed in the report.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	A healthy economy is a vital ingredient in ensuring that the potential of the city’s communities is realised.
A liveable and low carbon city: a destination of choice to live, visit, work	Ensuring that the city offers an attractive environment to live and work and addressing the need to reduce carbon emissions are both preconditions for a sustainable and economically successful city
A connected city: world class infrastructure and connectivity to drive growth	The report highlights the importance to the city’s economy of good connections at the international, regional, city wide and local level

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

Equal Opportunities Policy
Risk Management
Legal Considerations

Financial Consequences – Revenue

None directly, although there will be resource implications associated with providing further detailed analysis for the committee associated with the issues identified during the course of the year.

Financial Consequences – Capital

None

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Background documents (available for public inspection):

None

1. Introduction

- 1.1 This report aims to set out some of the main issues and challenges within the Committee's remit that are likely to be of particular relevance during 2018/19. Following a brief introduction on the city's population and economy the report highlights key issues of national, regional and local relevance.

2. Overview of the Population and Economy

- 2.1 The Manchester City Council Forecasting Model (MCCFM) has been developed to strengthen and develop the Office for National Statistics (ONS') approach to population forecasting. Manchester's population has grown well ahead of the previous ONS forecasts and the latest forecasts can be summarised as follows:
- Third biggest increase of any local authority in the UK with growth from 422,900 in 2001 to 503,100 in 2011, a 19% increase (Census)
 - The city's population is forecast to grow to 572,000 by the end of 2018 (rising from 549,000 in 2016) and is expected to exceed 600,000 by 2021 (MCCFM W.2016)
 - Circa 60,000 residents currently living across the city centre up from 45,400 in 2011 (MCCFM W2016)
 - City centre population growth expected to reach 75,000 by 2022 (MCCFM W2016)
- 2.2 The expanding and increasingly diverse employment offer within the city explains why so many more people are choosing to live in Manchester. Oxford Economics forecast that the number of jobs in Manchester will increase by 31,800 (net) in the period to from 2017 - 2025 (GMFM 2016). Of these, 12,900 will be within business, financial & professional services. The three sectors which are projected to grow at the fastest rate are: business, financial and professional services; cultural, creative and digital; and science, research and development. It is within this broader context of a rapidly growing city that the Committee will need to consider the implications of a number of key issues over the coming year.

3. National, Regional and Local Issues

- 3.1 The final negotiations to determine the terms of the UK's exit from the European Union are likely to dominate much of the coming year's Parliamentary business. As the negotiations proceed, it will be important for cities such as Manchester, together with the Core Cities group as a whole, to continue to seek to influence the debate around the terms of the UK's departure from the EU.
- 3.2 More locally a number of key Greater Manchester priorities are expected to be taken forward over the coming year that will have an important influence on the city. The Committee may wish to focus on the following key issues during the year:

Greater Manchester Strategy and Implementation Plan

- 3.3 A revised Greater Manchester Strategy, “Our People, Our Place” was approved by the Combined Authority in October 2017. Its vision is “to make Greater Manchester one of the best places in the world to grow up, get on and grow old”. The strategy places emphasis on the importance of creating a more inclusive and productive city region where everyone and every place can succeed.
- 3.4 A detailed public implementation plan was published alongside the Strategy which sets out the key actions required to implement the strategy and also identifies the agencies that are responsible for the delivery of the actions. Many of these actions will be the responsibility of the ten Greater Manchester local authorities and their partners. It is suggested that a future meeting may wish to consider progress in delivering the actions in the Implementation Plan that fall within the committee’s specific remit.

Planning at Greater Manchester and City Scale

- 3.5 Following the publication of the Greater Manchester Strategy in 2017 the coming year will see further work at a Greater Manchester level to publish a revised Greater Manchester Spatial Framework (GMSF) for consultation. Through the GMSF the ten Greater Manchester districts are working together to produce a joint plan to manage the supply of land for jobs and new homes across Greater Manchester. The GMSF will ensure that we have the right land in the right places to deliver the homes and jobs we need up to 2035, along with identifying the new infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this. Consultation took place on a draft Plan between October and December 2016. A significant number of responses were received and work is nearing completion on revising the Plan prior to a further round of consultation. The Committee may wish to consider this revised plan and its particular implications for the city at a future meeting.
- 3.6 The Greater Manchester Spatial Framework will introduce new city-region spatial development policies, which will affect the city. To take account of these changes, as well as other changes in national policy and economic conditions, the Council has agreed to review the Local Plan (the Core Strategy and policies saved from the Unitary Development Plan). It is expected that the first stages of the Local Plan review will begin in summer/autumn 2017. The Local Plan will provide an up-to-date policy foundation to shape the city’s growth, taking advantage of improving market conditions and embedding priority development outcomes through the planning process. It is intended to bring reports to the committee at key stages during the Plan’s development.

Transport

- 3.7 An effective and attractive transport system that provides high quality connections globally, nationally, regionally and locally is fundamental to the city’s economic success and to providing an opportunity for local people to access the employment opportunities that are available in the city.

- 3.8 There are likely to be important announcements regarding national transport investment decisions that will impact on the city during the coming year, with further milestones for High Speed 2 (HS2) and Northern Powerhouse Rail expected in the autumn. It is suggested that the Committee may wish to be updated on these developments. The HS2 Manchester Piccadilly Strategic Regeneration Framework for example, anticipates the delivery of 625,000 m² of commercial space, 4,500 new homes, 100,000 m² of retail and leisure space. It is estimated that 40,000 additional jobs could be created in the area as a result of the investment brought about by the delivery of High Speed rail and the delivery of the SRF proposals. Transformed connectivity around the North, with Manchester at its heart, will also deliver higher levels of productivity and greater competitiveness in the global marketplace.
- 3.9 In terms of international connections, Manchester Airport has recently enjoyed its busiest ever year with over 27 million passengers passing through its terminals in the year to the end of March 2018. 2018/19 is expected to see further growth. Significant new routes have recently been added, including direct connections to Seattle and San Francisco, and these are likely to generate increased travel demand and foster connections with key global economic locations. Work to expand terminal facilities is underway and this will mean that the trajectory of growth is expected to continue. Growth at the Airport is linked to significant new employment opportunities associated with airport expansion and the parallel expansion of the Airport City Enterprise Zone.
- 3.10 At a local level the Buses Bill which gives Mayoral Combined Authorities the power to introduce bus franchising should the Mayor decide to enact such powers has now received Royal Assent and work is currently being undertaken to finalise the business case to enable the Mayor to make this decision should he wish to do so. These new powers offer the opportunity to gain greater control over the local network and to deliver greater integration between buses and other modes of public transport through the introduction of a truly integrated ticketing offer.
- 3.11 To take account of the extensive changes expected in the city centre (in terms of development as well as transport infrastructure and services), the Council has been working with Transport for Greater Manchester and Salford City Council to review the City Centre Transport Strategy. This strategy will set out measures that will ensure that the city centre's growth is achievable and sustainable, and that the most appropriate future investment priorities can be identified and pursued. Consultation on the strategy is expected later in 2017 and the Committee may wish to further consider this document.

Key Growth Areas for the City and Drivers of Growth

- 3.12 Key growth areas in the city include the City Centre, together with the Oxford Road Corridor and the Etihad Campus. A significant proportion of overall Greater Manchester's forecast job growth across a wide range of sectors is forecast to take place at the heart of the conurbation. The increasingly well-developed arts and culture sector and creative and digital industries more

generally are an increasingly important driver of growth in the city. Airport City, including both the Airport itself, mentioned above, and the wider Enterprise Zone is a second key focus of growth. Infrastructure investment will need to continue to focus on enabling and underpinning future growth in these areas while ensuring that local people are in the best position to be able to benefit from these opportunities will be a very important element of the Council's work over the coming months and years.

Industrial Strategy

3.13 The Government published the national Industrial Strategy in late 2017. It is organised around five key themes or “foundations of productivity”, namely:

- ideas;
- people;
- Infrastructure;
- business environment; and
- places.

3.14 The strategy also set out four “grand challenges” aimed at putting the UK at the forefront of the industries of the future:

- artificial intelligence and the digital economy;
- clean growth;
- the future of mobility; and
- ageing society.

3.15 The 2017 Autumn Budget agreement between the GMCA and Government set out that Greater Manchester's Local Industrial Strategy will reflect the main themes of the national industrial strategy, but also take a place-based approach that builds on the area's unique strengths and ensures all people in Greater Manchester can contribute to and benefit from economic growth. The Greater Manchester document will:

- be developed locally and agreed with Government;
- be long term, based on evidence and aligned with the national strategy;
- identify key strengths and challenges;
- guide the use of local funding streams;
- establish new ways of working between national and local leaders and public; and private sectors; and
- form the basis for the Government to support locally driven partnerships, proposals and reforms.

3.16 Work is also underway at a local Manchester level to translate the national document into the local context. The Manchester document will focus on growth, people and place and provides an opportunity for Manchester to develop a growth strategy that is designed to benefit all people and all parts of the city.

Housing

- 3.17 The City Council's Residential Growth Strategy (2016-2025) commits the city to delivering a minimum of 2,500 new homes a year, providing the right housing mix for a growing and diverse population & increasing home ownership at all price points. There were 2,869 completions in in 2017/18 comprising 2,598 market completions and 271 affordable completions. There was an increase in development activity over the past year with the number of units under construction increasing from 7,033 in 2016/17 to 9,114 in 2017/18.
- 3.18 Between 2012/13 and 2016/17 7,063 new homes were delivered with 1,223 (17.3%) of these being affordable. In 2017/18 596 units (9.3%) of the total granted planning permissions were affordable. Manchester's Affordable Homes Programme will deliver more than 2,200 homes by March 2021 through a £250m investment programme. The Council is backing the programme through the release of council-owned land. The Council recently published a new affordable housing policy; this takes the average household income across the city (£27k) and uses a standard marker of 30% in rent or mortgage repayments to understand what most residents can afford. In 2016/17, according to this definition, 41% of all sales to owner occupiers were affordable.

Key Growth Sectors

- 3.19 The Northern Powerhouse Independent Economic Review identified four "prime capabilities" which in which the North of England as a whole is internationally competitive. These are:
- Advanced manufacturing;
 - Health innovation;
 - Energy; and
 - Digital.
- 3.20 These prime capabilities are supported by three enabling capabilities that are important in their own right and also play a critical role in supporting the prime capabilities. These are:
- Financial and Professional Services;
 - Logistics; and
 - Education (particularly higher education).
- 3.21 These are all important sectors in the city's economy and the prime capabilities, in particular will be important to future growth. Other sectors such as construction, hospitality and retail are also of particular importance to the city's economy. Construction is a growth sector in terms of GVA and employment growth and critically is an area where there are opportunities at all levels and skills and labour shortages
- 3.22 Following on from the consideration of the digital sector at the February meeting of the committee work is continuing on the development of the Manchester Digital Strategy which will aim to ensure that we maximise the opportunities our digital economy presents and that all of our residents can

benefit from them. The digital sector continues to grow, supported by digital businesses and smart cities projects. The strategy will seek to ensure that residents have the skills to access jobs in the sector and enable basic participation via digital platforms. It will also seek to ensure that the right infrastructure is put in place and that digital innovation is fostered, which is essential to achieving more inclusive growth and overcome challenges in other areas, such as health and transport.

Skills and Work

- 3.23 At a national level, there is work underway to prepare for the introduction of Technical Levels, which are the key part of the Government's Post-16 Skills Plan and underpin the Industrial Strategy. Locally the GM Colleges Group are looking at readiness for their introduction and there are some challenges re colleges being early adopters, as they require Ofsted ratings of at least Good. This is the situation in the City, as the Manchester College is the biggest provider and only post-16 organisation in the City likely to delivery T-levels at scale. The College is working on its improvement journey and is likely to be re-inspected in the Autumn.
- 3.24 The Adult Education Budget (AEB) agreed in the 2014 Devolution Deal will be devolved for the 2019/20 academic year. The GMCA is preparing the ground for commissioning the AEB from that point and as part of the preparation will develop a Post-16 Skills Strategic Plan, which will cover the broader priorities for post-16 provision in GM, of which the AEB will deliver part. There has also been an analysis of current provision in GM and discussions with Colleges, Adult Education and training providers re how GM moves towards a more outcome focused commissioning model without destabilising provision or generating additional burdens for providers. The commissioning of the AEB will have a direct impact on MAES.
- 3.25 The new Work and Health programme commissioned by the GMCA, is being delivered in the City by a consortium led by Ingeus and the Growth Company. Together with the previous Working Well programmes, its successful delivery is critical to supporting more Manchester residents on long-term health related benefits into work. This is by far the greatest number of out of work benefit claimants of working age. Full service Universal Credit will roll out fully in the City by July 2018, when claimants in Cheetham and Wythenshawe jobcentres move to full service.

4. Conclusion and Summary

- 4.1 This report and the accompanying presentation seeks to highlight national, regional, sub regional and local matters that fall within the Committee's remit and which Members may wish to consider in greater detail during the coming year. Members are asked to consider these matters and indicate which subjects they will wish to consider further and to indicate if there are other matters that they would wish to review.

Growing the Manchester Economy: Key opportunities and challenges

**Economy Scrutiny Committee
23 May 2018**

Future job growth will continue to be at the conurbation core

Nearly 30% of all jobs in Greater Manchester are already located in Manchester

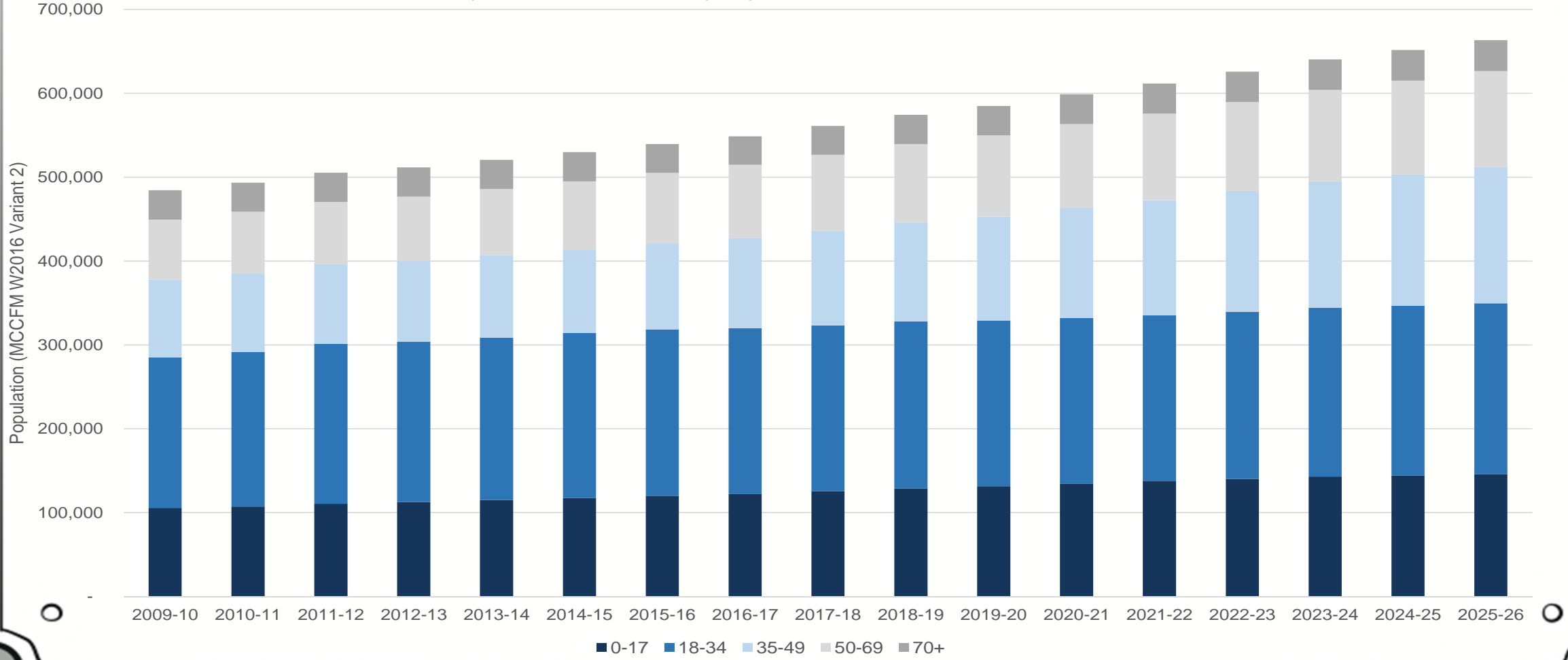
Local Authority	Jobs 2017-2025
Manchester	31,800
Salford	12,400
Trafford	11,300
Stockport	7,100
Bolton	5,100
Bury	3,400
Oldham	2,000
Wigan	1,600
Rochdale	500
Tameside	-300
Total Greater Manchester	74,900

- Future job growth will be concentrated at the centre of the conurbation
- Majority of jobs over the next decade will be created in Manchester City Centre
- Growth in jobs will continue to drive population growth particularly around the city centre

Source: Oxford Economics, GMFM 2017

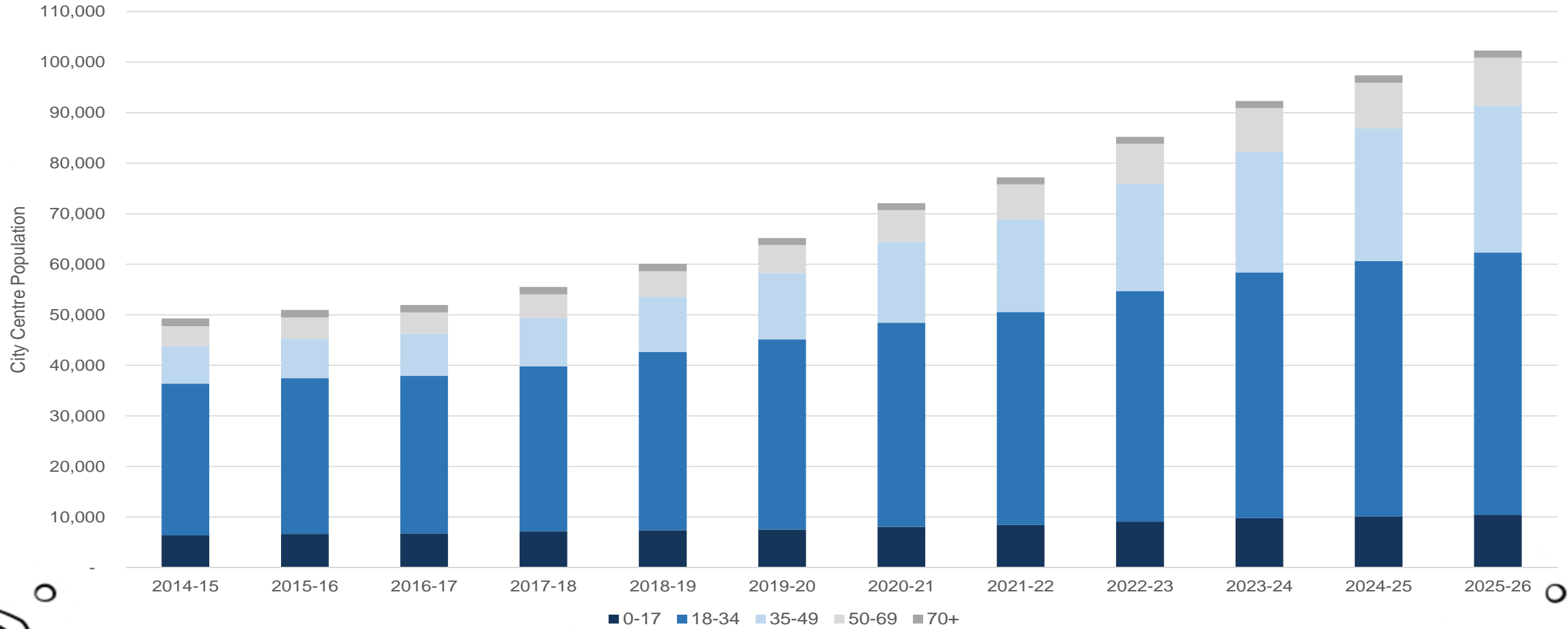
Rapid population growth in Manchester expected to continue

Over 640,000 residents expected in the city by 2025-26

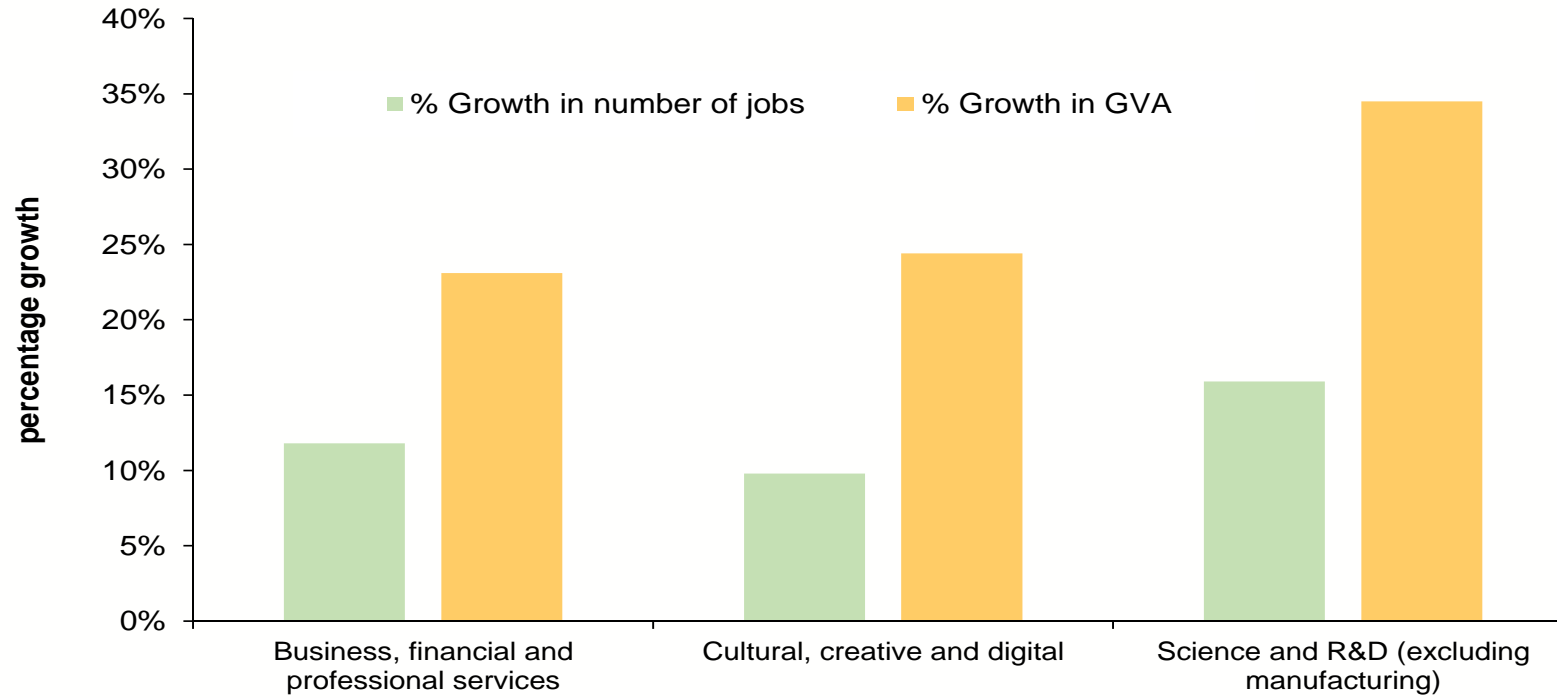


Over 100,000 residents expected in Manchester city centre by 2026

City centre population expected to mature beyond traditional 18-34 demographic – 35-49s becoming more prominent



Fastest Growing Sectors (2017-2025)



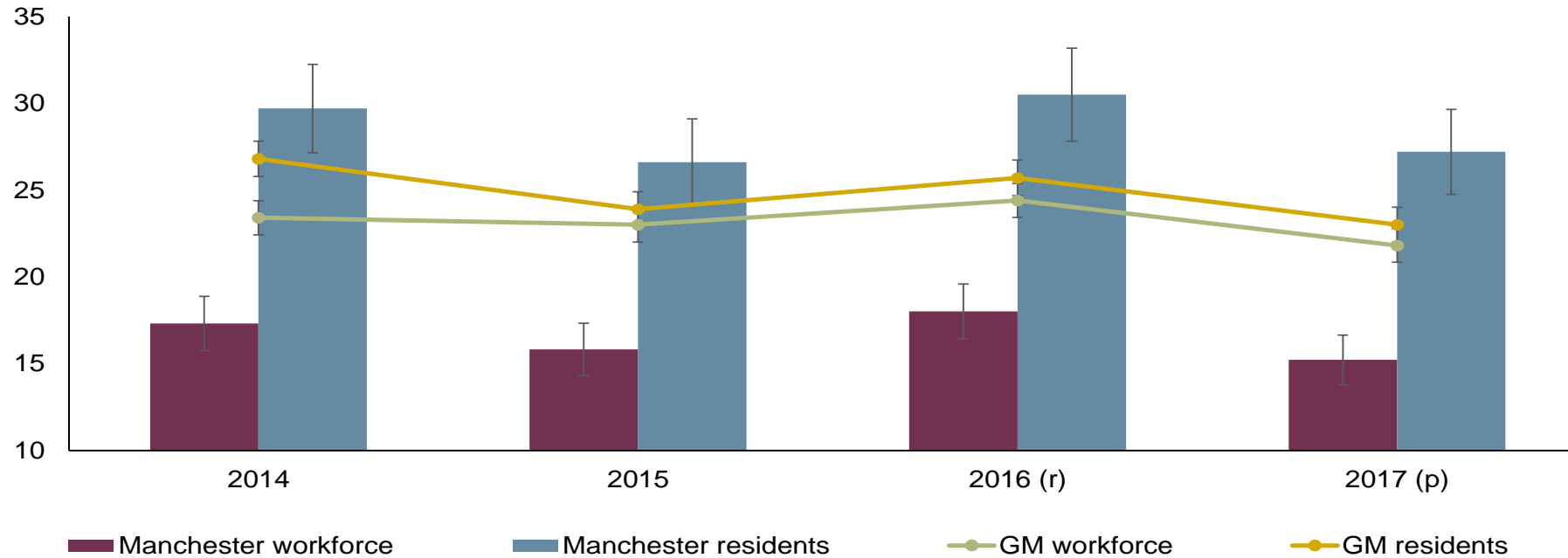
Other major sectors in terms of share of employment include:

- Health & Social Care
- Education
- Retail

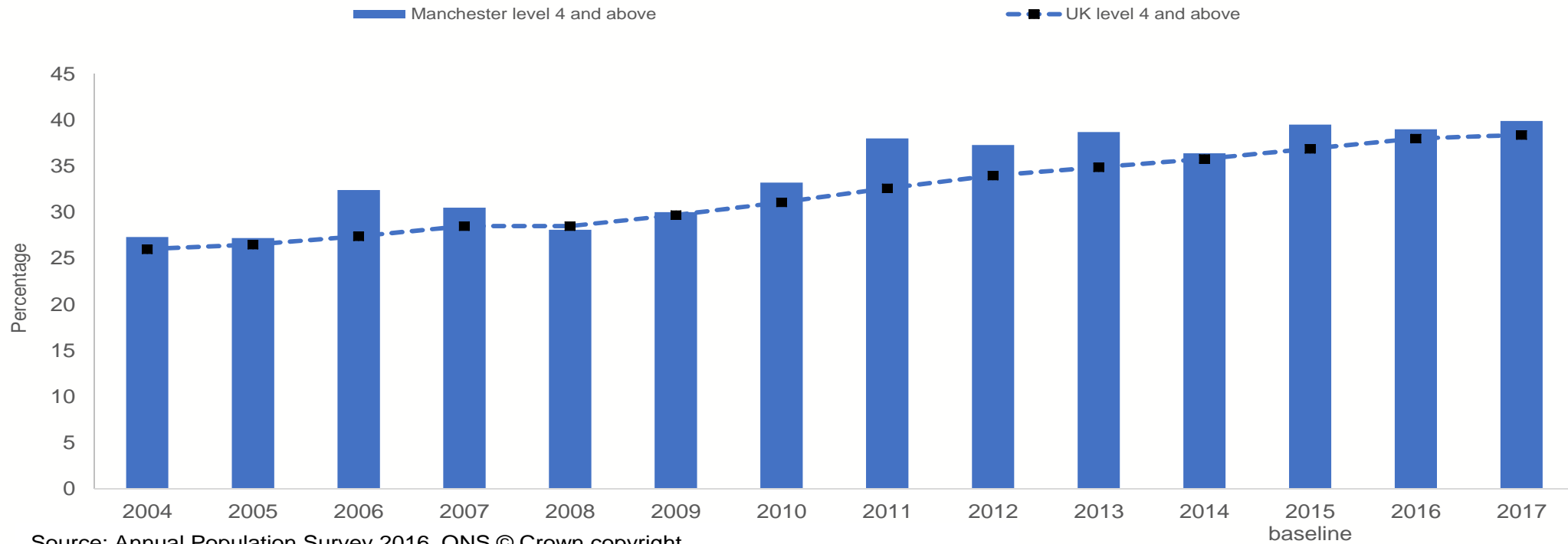
Source: Greater Manchester Forecasting Model (2017), Oxford Economics

Significant percentage of residents paid below the Real Living Wage

Workforce vs Residents - % of employees paid less than the Real Living Wage



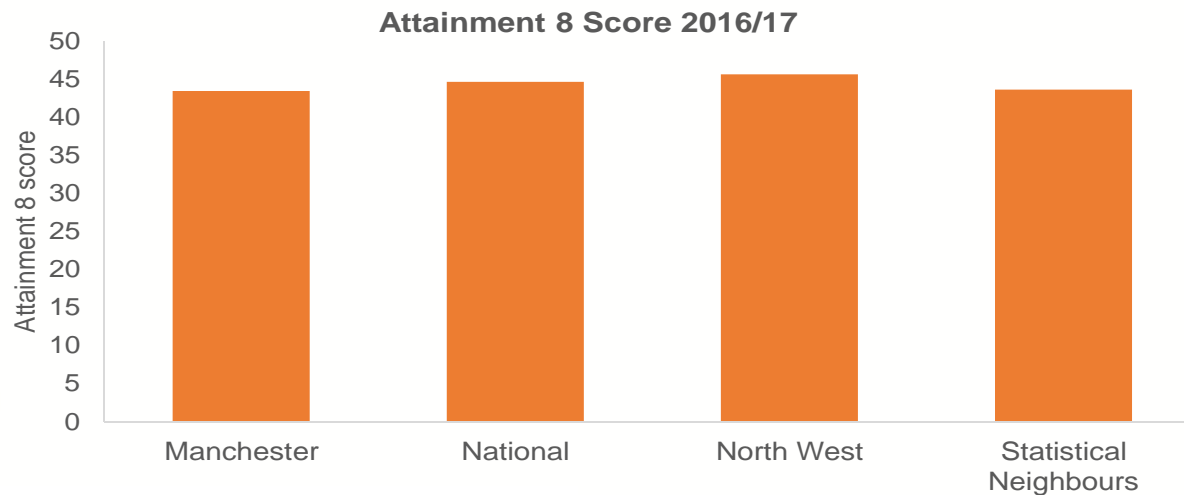
Larger proportion of residents skilled to Level 4 (degree) and above but challenges remain



○ Talent and Skills

Educational attainment remains a top priority

- Manchester's Attainment 8 score continues to fall below the national average, however, the gap has narrowed over the last two years

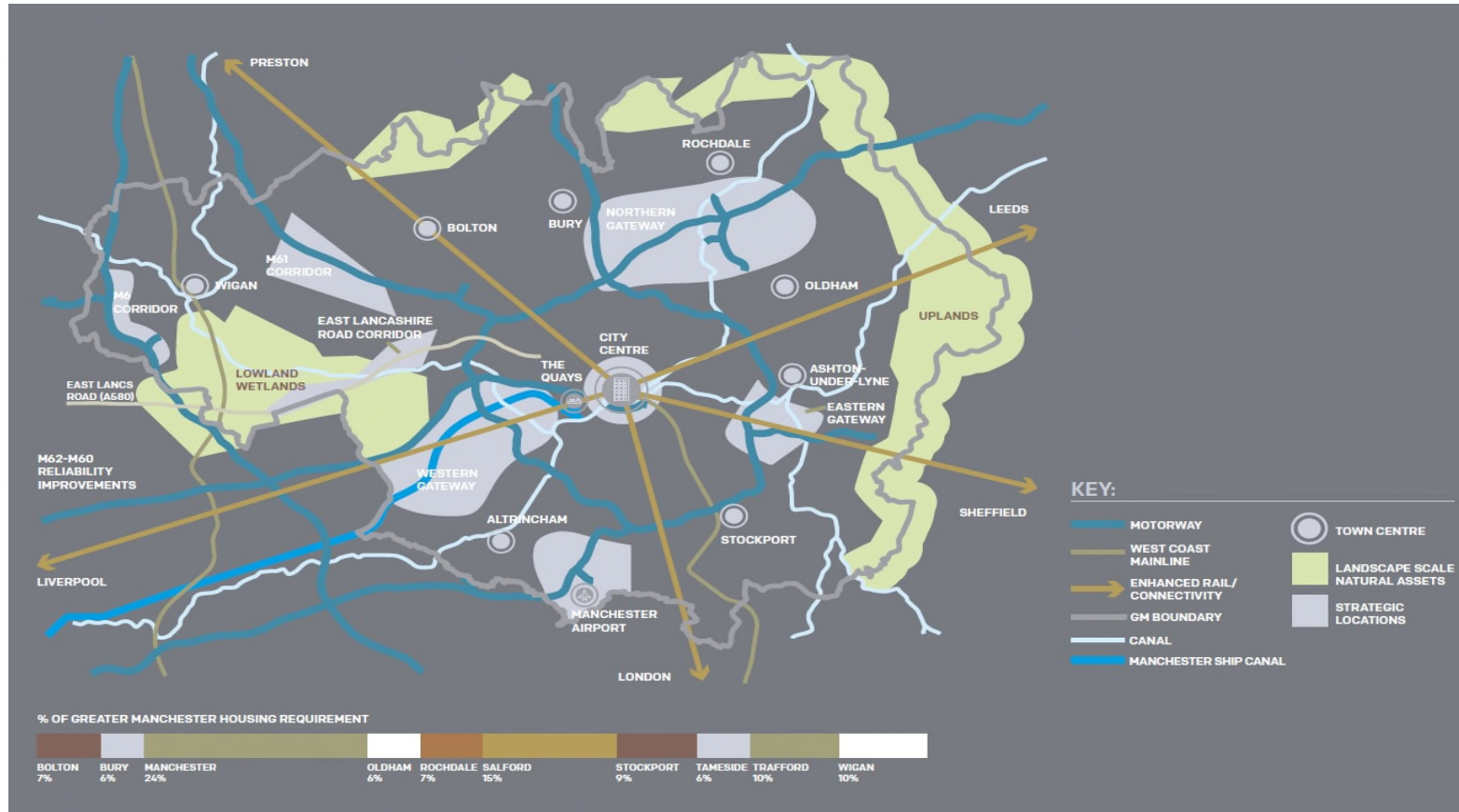


Source: Department for Education

Transition to a demand led skills system:

- Manchester Work & Skills Strategy sets out an ambition for a more demand led skills system
- Analysis of job adverts reveals that the most referenced skills are Customer Service, Sales, Project Management & ICT
- T-Levels aim to put tertiary education on a par with the traditional academic route
- Providers will need to be rated 'Good' in order to be eligible to deliver them – presents challenges for local colleges
- Increasing the number of advanced and higher level apprenticeships is also a priority
- Employers can engage with schools and also help to provide high quality work experience

Greater Manchester Spatial Framework



- GM's housing & commercial development plan, plus the infrastructure needed to deliver
- Currently being re-written with more emphasis on brownfield development
- Majority of development will be urban – Manchester will accommodate more commercial & residential (24%) than other districts
- City Centre & Airport are key development areas
- Infrastructure investment plans need to recognise the importance of the core of conurbation

Manchester Local Plan & Core Strategy Refresh



- Core Strategy is the main document in Manchester's Local Plan which was adopted in 2012
- Many aims from the Core Strategy are still relevant but the review will take account of new circumstances including:
 - Improving market conditions
 - Development of the GMSF
 - Changes in national policy
- Commercial development challenges will need to be considered
- The local plan will reinforce the Council's approach to housing affordability, design quality and overall place making
- There is also an important challenge to incorporate key social infrastructure (schools, health facilities)
- First stage of public consultation expected in autumn 2018

○ National Industrial Strategy

The Government have recently published a national Industrial Strategy – outlined below. Manchester is developing a local Industrial Strategy using the national framework underpinned by an ambition around inclusive growth.

The White Paper sets out an ambition to create an economy that boosts productivity and earning power throughout the UK around the “**5 foundations of productivity**”

It also sets out **Grand Challenges** to put the future of the UK at the forefront of the industries of the future



Local Industrial Strategies: Differences & Timescales

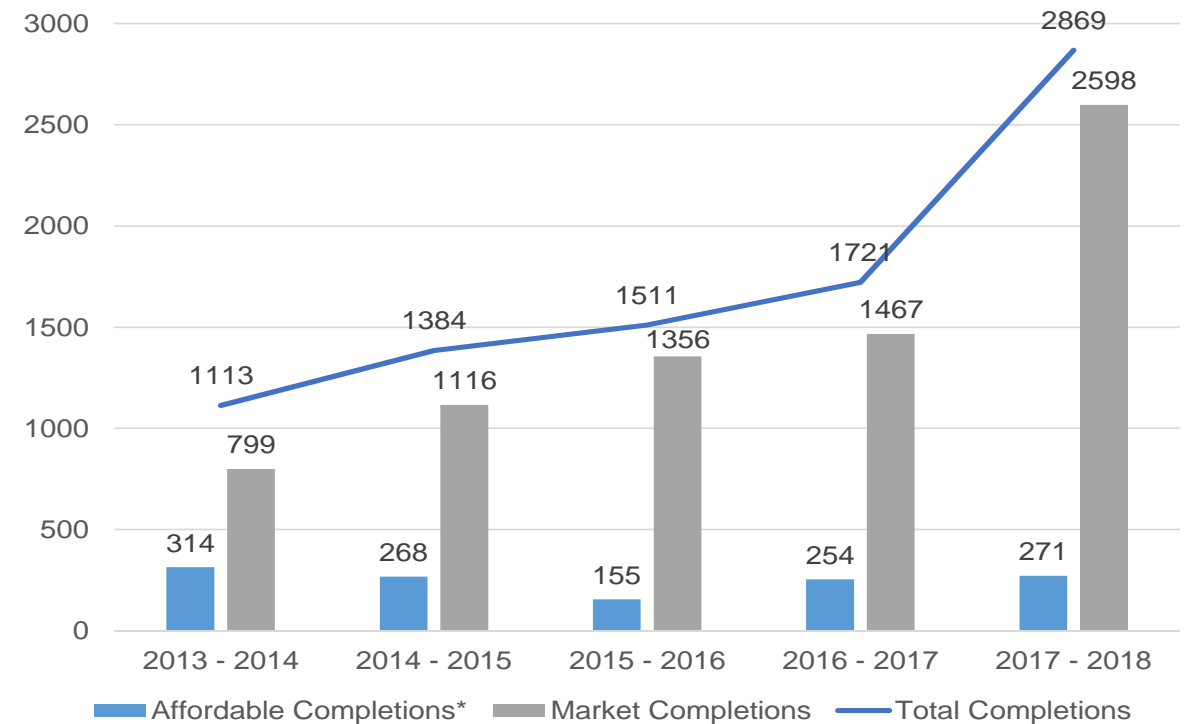
Greater Manchester	Manchester
<ul style="list-style-type: none">• Reflect main themes of the national IS – but will take a place-based approach building on existing strengths• Review to be established – initial results in August 2018, final results late-2018; agreed final strategy February 2019• Focus on Grand Challenges – artificial intelligence (AI) and data driven economy; future of mobility; clean growth; ageing society• Co-design / co-production approach	<ul style="list-style-type: none">• Focus on growth, people & place• Alignment to GM Local Industrial Strategy & the national strategy but provides a more ‘granular’ level of detail• Opportunity to articulate Manchester’s position in Greater Manchester & nationally• Articulate what we need to do to have the greatest impact on inclusive growth• Inform Manchester’s spatial plan & investment decisions

Transport: Linking residents to jobs & businesses to markets

Short Term 2018-20 <i>Continued modal shift towards more sustainable transport</i>	Medium Term 2020-2025 <i>Widespread adoption of new mobility solutions, increased integration between modes</i>	Long Term 2025-2040 <i>Fully integrated transport system that is modern, safe, sustainable & convenient</i>
<ul style="list-style-type: none"> • Targeted investment in the highway network • Increase extent of GM Electric Vehicle network • Put in place City Centre Transport Strategy to support growth • Continue to encourage modal shift to walking & cycling • Expand the Cycle Network & develop Car Club & Cycle Hire offer to more residents 	<ul style="list-style-type: none"> • Secure further funding to improve effectiveness & maintenance of highway network • Expand cycle infrastructure to form a comprehensive network • Develop a GM wide Cycle Hire offer • Bus franchising to support smart ticketing, modal shift & better services to connect residents to employment opportunities • Further growth of Manchester Airport as international gateway to the North 	<ul style="list-style-type: none"> • Major infrastructure to support national & international connectivity including new Airport terminal • HS2 & Northern Powerhouse Rail delivered • Comprehensive network of infrastructure to support Electric Vehicles

Residential Development – key requirement for future growth

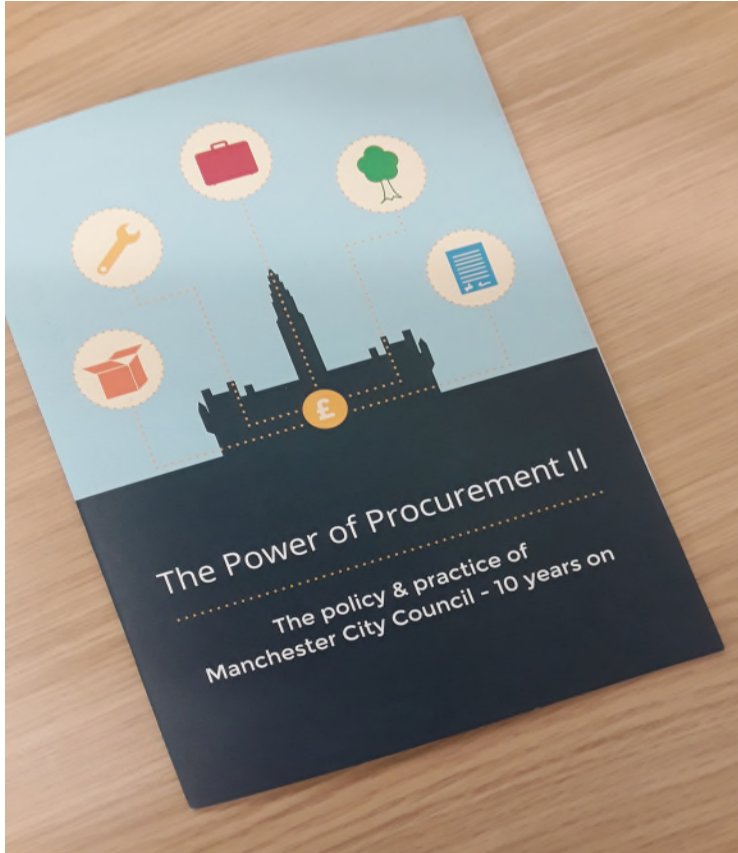
- Residential Growth Strategy (2016-2025) commits to delivering a minimum of 2,500 new homes a year, providing the right housing mix for a growing & diverse population & increasing home ownership at all price points
- Completions in 2017/18 = 2,869
 - 2,598 market completions
 - 271 affordable completions
- Total units under construction has increased by 30% from 7,033 in 2016/17 to 9,114 in 2017/18
- Number of units on-site in the city centre is now at, or close to, peak
- Affordability of new & existing homes is key to sustaining job growth
- The city recently published a new affordable housing policy - takes the average household income across the city (£27k) and uses a standard marker of 30% in rent or mortgage repayments to understand what most residents can afford



Digital is a major priority

- Digital sector continues to grow, supported by digital businesses and smart cities projects.
- Residents need digital skills to access jobs in the sector and enable basic participation via digital platforms.
- Businesses and residents need strong digital infrastructure to access opportunities, including full fibre to premise and 5G mobile connection.
- The Manchester Digital Strategy will ensure we maximise the opportunities our digital economy presents and that all of our residents can benefit from them.
- Digital innovation is essential to achieving more inclusive growth and overcome challenges in other areas, such as health and transport.

Vital role of Anchor Institutions and Social Value



- Anchor Institutions have a major role to play in helping to reduce inequality
- The Council's Ethical Procurement Sub-Group has helped to drive change
- CLES Power of Procurement II 10 year study found that 51.5% of Council spend with top 300 suppliers was in Manchester and 25p of every £1 spent went back into the economy
- 20% Social Value applied to procurement and commissioning & toolkits for suppliers & commissioners developed
- Contractors must embed social value into their contracts via: Local Supply Chain; Local Labour; SME's and Skills
- Social Value being driven through key Council projects including: Our Town Hall; Local Care Organisation; Highways; Factory; Airport City

Major commercial & residential developments

- Airport City
- Etihad Campus
- First Street
- NOMA
- Kampus
- St John's
- St Michael's
- Great Jackson St
- Corridor Manchester
- Piccadilly / HS2
- Mayfield
- Northern & Eastern Gateway



Conclusion

- Manchester's economy & population continue to grow
- The city centre will continue to expand as high density residential developments are delivered
- A key focus for the Council & its partners is to deliver more inclusive growth to ensure more residents are able to benefit from economic opportunities
- The Manchester version of the local industrial strategy will be critical in achieving this objective
- Transport and the refreshed Local Plan will be key enablers
- Anchor Institutions in the city including the Council have a significant role to play