



## **Economy Scrutiny Committee**

Date: Thursday, 6 February 2020

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Second Supplementary Agenda** containing additional information about the business of the meeting that was not available when the main agenda was published

### **Access to the Council Antechamber**

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

### **Filming and broadcast of the meeting**

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## **Membership of the Economy Scrutiny Committee**

**Councillors** - H Priest (Chair), Abdullatif, Green, Hacking, Johns, Noor, Raikes, Shilton Godwin, K Simcock and Stanton

## Second Supplementary Agenda

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**5. The Council's Updated Financial Strategy and Budget reports 2020/21** 3 - 16

Report of the Chief Executive and the Deputy Chief Executive and City Treasurer attached.

This report provides an update on the Council's overall financial position and sets out the next steps in the budget process, including scrutiny of the budget proposals and budget report by this Committee.

Each Scrutiny Committee will receive a budget report aligned to its remit, showing the main changes proposed to delivery and funding. The report also outlines the proposals for how the Council could deliver a balanced budget for 2020/21, the details of which will be discussed at the relevant scrutiny committees.

**5a. Growth and Development Budget report 2020/21** 17 - 30

Report of the Strategic Director, Growth and Development attached.

This report provides a further updated Growth and Development medium term financial plan, and budget proposals for 2020/21. The report has been updated in order to reflect feedback from the January round of scrutiny meetings on the original draft proposals.

## Further Information

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For help, advice and information about this meeting please contact the Committee Officer:

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This second supplementary agenda was issued on **Monday, 3 February 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Mount Street Elevation), Manchester M60 2LA

## Manchester City Council Report for Resolution

**Report to:** Resources and Governance Scrutiny Committee - 4 February 2020  
Health Scrutiny Committee - 4 February 2020  
Children and Young People Scrutiny Committee - 5 February 2020  
Neighbourhoods and Environment Scrutiny Committee - 5 February 2020  
Economy Scrutiny Committee - 6 February 2020  
Communities and Equalities Scrutiny Committee - 6 February 2020

**Subject:** Updated Financial Strategy and Budget Reports 2020/21

**Report of:** The Chief Executive and the Deputy Chief Executive and City Treasurer

### Summary

This report provides an update on the Council's overall financial position and sets out the next steps in the budget process, including scrutiny of the budget proposals and budget report by this Committee.

Each Scrutiny Committee will receive a budget report aligned to its remit, showing the main changes proposed to delivery and funding. The services to be considered by each scrutiny committee are shown at table five. The report also outlines the proposals for how the Council could deliver a balanced budget for 2020/21, the details of which will be discussed at the relevant scrutiny committees.

### Recommendations

The Committee is asked to consider and make recommendations to the Executive on the budget proposals which are within the remit of this Committee and to comment on initial Budget Reports which have been designed to ensure the Council invests in the services that are valued by its residents achieving both high quality services and outcomes for residents, as well as a balanced budget.

**Wards Affected:** All

<p><b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>
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<p>The proposed 2020/21 budget will reflect the fact the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.</p>
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Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report provides an update on the Council's overall financial position for 2020/21 which will underpin all of the Council's priorities as determined through 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	

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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.

- Suite of budget reports to Executive, 13 February 2019

- Spending Round Announcement 2019 report to Resources and Governance Scrutiny Committee – 8 October 2019
- Updated Financial Strategy and Budget Reports 2020/21 to Resources and Governance Scrutiny Committee 7 January 2020
- Provisional local government finance settlement: England, 2020 to 2021, 20 December 2019
- Budget Update report to Executive 15 January 2020

## 1. Introduction and Approach

- 1.1. This report updates on the overarching revenue budget for 2020/21. The direction for the budget is underpinned by the Our Manchester Strategy for the City, with the Council's updated Corporate Plan setting out the priorities for the Council. The Locality Plan 'Our Healthier Manchester' is also set within the context of the Our Manchester Strategy.
- 1.2. The full suite of budget reports to be presented to February Executive and Resources and Governance Budget Scrutiny will include:
- the Budget 2020/21 Covering Report;
  - the Revenue Budget 2020/21;
  - the Directorate Business Plans;
  - the Housing Revenue Account;
  - the Dedicated Schools Grant;
  - the Capital Strategy and Budget; and
  - the Treasury Management Strategy and Borrowing Limits and Annual Investment Strategy.

These reports together underpin the detailed financial spend of the Council for the coming year and provide a framework for Revenue and Capital planning from 2020/21. A Single Council Business Plan has also been developed, which replaces the individual directorate business plans produced previously. This will also be considered by the Executive in February.

- 1.3. At its meeting on 13 February 2019 Executive agreed to the 2019/20 budget, which was the final year in the three year budget strategy for 2017-20. At this point it was expected that there would be a spending review in 2019, resulting in a new multi-year settlement from 2020/21. However, the review did not take place and a one year Spending Round was announced on 4 September 2019. Following this the Provisional Local Government Finance Settlement 2020/21 was released on 20 December 2019.
- 1.4. The budget proposals for 2020/21 will continue to reflect the priorities identified in the three-year budget strategy and as set out in the Corporate Plan. These have been updated to include action required to address the climate emergency declared by the Council. The priorities are:
- Zero carbon Manchester - Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide.
  - Young People - From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better.
  - Healthy, cared-for people - Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives.
  - Housing - Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes.

- Neighbourhoods - Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of.
- Connections - Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks.
- Growth that benefits everyone - Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy.
- Well-managed Council - Support our people to be the best and make the most of our resources.

1.5. Due to the announcement of a one year Spending Round by government the Council will publish a single year budget for 2020/21, however, it will continue to plan for a three year position based on the best information available. This is critical to demonstrate forward planning and support resilience, ensuring the Council is in the best position to respond to the national funding changes. Work has begun on the budget requirements for 2021/22 and beyond in the context of considerable changes to Local Government funding including the outcome of the Spending Review, changes to how local government funding is distributed, changes to the Business Rates Retention scheme, and the future of Adult Social Care funding.

1.6. This report will provide an update on:

- the position reported to January Scrutiny Committees including the proposed savings and efficiencies
- Council Business Plan feedback and updates
- changes since the January Scrutiny meetings and further updates on funding
- the budget setting process and next steps

## **2. Position reported to January Scrutiny Committees**

2.1. As set out in the budget strategy report to the January Scrutiny Committees the forecast 2020/21 budget position was a small surplus of £256k. This was based on the best information available to date, including:

- Government funding announcements in the September Spending Round and the technical provisional settlement consultation released early October.
- Forecast changes to spend including the impact of expected increases to the National Living Wage, pension contribution costs, the waste levy and other pressures outlined in the scrutiny budget reports.
- Identification of savings and/or efficiencies to support the overall financial position including meeting current budget pressures through the realignment of budgets.

2.2. Savings totalling a net £2.837m, once cost pressures have been met, have been identified in Corporate Core, Neighbourhood Services and Growth and Development Directorates. These are being found through a combination of

efficiencies, income generation and innovation and should not impact on frontline services to residents. In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service, any efficiencies identified in these areas will be used to help achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for possible changes from 2021/22 onwards.

- 2.3. With regard to homelessness, the service has identified a potential increase in income of £1m in 2020/21 relating to Housing Benefit for temporary accommodation which will be available from DWP based on a small scale transfer of existing properties to be managed by Registered Providers (RPs) by end of March 2020 and increasing incrementally throughout 2020/21, this will reduce the net cost to the Council. The option under consideration would target a transfer of properties outside of the city boundaries and the approach has been agreed in principle with registered providers. The financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.
- 2.4. All proposals were presented to the relevant Scrutiny Committees in January for comment and the table below summarises these by Directorate.

**Table One: Net Savings Options 2020/21**

	<b>2020/21 Savings/ Income Options Identified</b>	<b>2020/21 Pressures/ Priorities Identified</b>	<b>Net savings options supporting budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Homelessness	(1,000)	1,000	0
Corporate Core	(3,449)	2,872	(577)
Neighbourhood Services	(2,324)	754	(1,570)
Growth and Development	(690)	0	(690)
<b>Total Savings Options</b>	<b>(7,463)</b>	<b>4,626</b>	<b>(2,837)</b>

### **3. Council Business Plan Feedback and Updates**

- 3.1. Our Council Business Plan replaces individual directorate business plans produced in previous years. The plan is structured around the eight priority themes of our corporate plan and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester Council.



3.2. Each priority theme section describes:

- The priority theme, including key strategies and plans which are helping to drive delivery
- Key achievements driving delivery of this priority theme in the last year
- Planned activities and initiatives across council services which will drive delivery of the priority theme in 2020-21
- The key measures which will determine whether the activities have been successful

3.3. The full draft document was presented to all Scrutiny Committees for comment and feedback in January. A number of minor changes have been made to the document following the meetings, many of which were as a result of the queries and feedback which focused on:

- areas requiring clarification/further detail
- specific comments on a number of the metrics included in the document, and
- queries relating to the approach to Equalities, Diversity and Inclusion.

3.4. The Equalities, Diversity and Inclusion section in the Council Business Plan includes detail of the approach taken to meeting the Council's obligations under the Public Sector Equality Duty, building on successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions.

3.5. The changes made to the plan are as follows:

- In the 'measures of success' section in each priority section, the illustrative outturn figures from 2017/18 and 2018/19 have been removed to enable focus on future performance.
- Some wording updates have been made to the Young People and Neighbourhoods sections to ensure accurate read-across and reference to other strategies and plans.
- Notes and changes have been added to some of the metrics to clarify the availability of data, to better articulate trends in the narrative, and for metrics which were previously described as only a 'rate per 1,000' the actual number is now also referred to.
- The 'Healthy, Cared for People' section now includes reference to a number of metrics and has been restructured to more clearly align to the wider health and social care partnership planning arrangements.

3.6. The final document will be presented to the meeting of the Executive on 12th February.

**4. Changes to budget position from the January Scrutiny meetings to the current date**

4.1. The position shared with Scrutiny Committees in early January was an expected 2020/21 budget surplus of £256k. A balanced budget is now

proposed and the changes are shown in the table below. The details will be set out in the February reports to individual Scrutiny Committees, the Executive and Resources and Governance Budget Scrutiny Committee.

**Table Two: Impact of changes since January scrutiny meetings**

	<b>2020/21 £000</b>
<b>Estimated Surplus (reported to Scrutiny Committees early January)</b>	<b>(256)</b>
Additional New Homes Bonus Grant	(662)
Revised Inflation on Settlement Funding Assessment	165
Revised Inflation on Public Health Funding	36
Updated Statutory National Living Wage from 1 April 2020	550
Increase to Waste budget to reflect reduction in trade waste disposed through the Levy	283
Application of waste contingency	(134)
Reduction in Council Tax Support Admin Subsidy	18
Additional pressure - Children's Services	1,701
Increase in Business Rates income - final NNDR	(3,780)
Contribution to Business Rates Reserve	2,079
<b>Net Budget</b>	<b>0</b>

*Local Government Provisional Finance Settlement*

4.2. The 2020/21 Local Government Provisional Finance Settlement was announced on 20 December 2019, delayed from the expected date of 5 December due to the December general election. With the delay in both the Fair Funding Review and reform of business rates, combined with a one-year spending round, the 2020/21 funding is largely a roll-over settlement with some inflationary increases and specific increases for Social Care as announced in the Spending Round. The provisional settlement confirmed all announcements in the 2020/21 Spending Round including:

- Increasing Settlement Funding Assessment (SFA)<sup>1</sup> in line with inflation from £14.6bn to £14.8bn
- Confirming the proposals for Council Tax referendum limits for 2020/21

<sup>1</sup> Settlement Funding Assessment (SFA) consists of: local share of retained business rates, plus Revenue Support Grant plus top-up or less tariff.

- An additional £1 billion Social Care Grant for both adult and children's services and maintaining improved Better Care funding at 2019/20 levels
  - £900m top slice to pay for New Homes Bonus in 2020/21 and maintaining the growth threshold at 0.4%
- 4.3. New Homes Bonus (NHB) will continue for another year, however the government intends to phase it out by 2023/24. There is no change in the operation of the scheme in 2020/21 and the threshold has been retained at 0.4%.
- 4.4. The impact of the announcements on the Council's budget position are:
- New Homes Bonus is £0.662m higher than budgeted following the baseline threshold remaining at 0.4%.
  - Settlement Funding Assessment is £165k less because Government have inflated by 1.63% rather than 1.7% originally assumed as per the CPI announcement
  - Public health (CPI + 1%) has not yet been confirmed within the figures, however, bearing in mind the level of inflation used above, it is considered prudent to include an increase of 2.63% (rather than 2.7%) which is £36k lower than originally assumed. For the Council Public Health expenditure is not currently grant funded but is now met from retained business rates. The Council's business rates tariff payment to the government should be reduced accordingly. The funding announcements made assume that the Council will fund this out of the devolved budget, which is a council decision.
- 4.5. The Council has submitted a response to the settlement consultation which was published alongside the settlement, and closed on 17 January 2020.

#### *Statutory National Living Wage*

- 4.6. On 31 December 2019, the Government announced the new statutory National Living Wage of £8.72 per hour to apply from April 2020. This was slightly higher than the original hourly rate assumptions within the budget and resulted in a further budget requirement of £0.550m.

#### *Council Tax referendum principles*

- 4.7. The budget assumes that the Council will increase the council tax precept by 3.99%, made up of a general precept element of 1.99% and the specific social care precept element of 2%. The Council is consulting on the 2% Adult Social Care precept increase.
- 4.8. The overall council tax increase to Manchester residents may be higher as the total council tax payable will also include changes to the Greater Manchester Mayoral precept and the Police precept. No referendum limit is proposed for Mayoral Combined Authorities in 2020/21.

### *Council Tax Base*

- 4.9. It is to be noted that the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has agreed under her delegated powers to set the tax base for Council tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 4.10. This calculation has to be based on data available on 30 November 2019 and the decision must be made between 1 December 2019 and 31 January 2020. The Council has to notify the precepting authorities of its calculation for 2020/21 by 31 January 2020. The tax base for tax setting purposes for the year 2020/21 was agreed on 8 January 2020 at 118,864.8. This is in line with the existing assumption.

### *Decisions for Council Tax Surplus and Business Rates Surplus*

- 4.11. The Council Tax surplus of £5.988m for 2019/20 has been declared, of which Manchester will retain £5.028m. The Business Rates surplus is £12.202m and Manchester will retain £12.080m. These are reflected in the budget as set out in table three below. All budget changes will be detailed in the reports to the Executive and Resources and Governance Budget Scrutiny Committee later in February.

## **5. Revised budget position 2020/21**

- 5.1. The changes outlined above would enable a balanced budget to be achieved for 2020/21 as shown in the table below. As requested by Resources and Governance Scrutiny Committee both the original and revised budget for 2019/20 are shown.
- 5.2. The provisional cash limit budget for each directorate is shown in the table below

**Table Three: Budget Position 2019/20 (Latest) and 2020/21 (Proposed)**

	<b>2019/20 Original</b>	<b>2019/20 Revised</b>	<b>2020/21 Proposed</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Resources Available:</b>			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non-ring fenced Grants	54,426	65,752	66,717
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of other Reserves	12,859	12,859	21,481
<b>Total Resources Available</b>	<b>610,835</b>	<b>622,161</b>	<b>665,100</b>
<b>Resources Required</b>			
<b>Corporate Costs:</b>			

Levies/Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
<b>Subtotal Corporate Costs</b>	<b>123,164</b>	<b>133,740</b>	<b>135,032</b>
<b>Directorate Costs:</b>			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
<b>Total Directorate Costs</b>	<b>487,671</b>	<b>488,421</b>	<b>530,068</b>
<b>Total Resources Required</b>	<b>610,835</b>	<b>622,161</b>	<b>665,100</b>
<b>Shortfall / (surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 5.3. The provisional cash limit budget for each directorate is shown in the table below:

**Table Four: Cash Limit budgets 2019-21**

	<b>Original Budget 2019/20</b>	<b>Revised Budget 2019/20</b>	<b>Proposed Budget 2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's and Education	120,434	120,432	130,320
MHCC Pooled Budget	194,050	193,604	216,864
Adult Social Care - Services out of scope of Pooled Budget	4,213	4,303	4,389
Homelessness	13,375	13,933	15,285
Corporate Core	67,838	69,554	69,960
Neighbourhoods	60,267	66,981	63,751
Growth and Development	5,515	5,816	7,644
<b>Total</b>	<b>465,692</b>	<b>474,623</b>	<b>508,213</b>

## 6. Other budget Issues

- 6.1. There remains some potential movement in the 2020/21 position and further changes are anticipated following the publication of the Final Local Government Finance Settlement expected in February and other funding announcements, these include:

- Confirmation of the redistribution of the surplus held in the national levy account in 2019/20, which should be confirmed in the final settlement
- Confirmation of the allocations for the remainder of the government funding for homelessness support
- Public Health allocations are yet to be confirmed. The Spending Round announced a real terms increase to the Public Health Grant budget, expected to be 2.63%, an increase of £1.328m.
- The Spending Round announced an additional £40m funding for Discretionary Housing Payments to tackle affordability pressures in the private rented sector in England and Wales. The authority level allocations are yet to be announced. The Council currently receives £2.2m in Discretionary Housing Payments Grant.
- The Conservative Party manifesto announced £500m funding for a Potholes Fund. Local Authority level allocations have not yet been published.

## 7. Scrutiny of the Draft Budget Proposals and Budget reports

- 7.1. The service budget reports and Council Business Plan are attached for the Committee's consideration. These reports contain details of how services will support the delivery of the Council's priorities as set out in the Corporate Plan. The reports have been tailored to the remit of each scrutiny as shown in the table below.
- 7.2. The Committee is invited to consider the options which are within its remit, alongside the draft business plan and to make recommendations to the Executive before it agrees the final budget proposals.

**Table Five: Scrutiny Reports**

Date	Meeting	Budget Paper
4 February	Resources and Governance Scrutiny Committee	Report covering the Corporate Core and the relevant parts of Growth and Development Directorate (Operational and Investment estate and facilities management) Housing Revenue Account
4 February	Health Scrutiny Committee	Adult Social Care and Population Health This is supplemented by: <ul style="list-style-type: none"> <li>• Draft MHCC Plan on Page, Joint Budget Report 2020/21 and refreshed Manchester Locality Plan</li> </ul>
5 February	Children and Young People Scrutiny Committee	Children and Education Services Dedicated Schools Grant

5 February	Neighbourhoods and Environment Scrutiny Committee	Report covering Neighbourhoods and Relevant services from Growth and Development (Housing and Residential growth)
		Homelessness report
6 February	Economy Scrutiny Committee	Report covering Growth and Development and the relevant parts of Neighbourhoods (Business Units) and Housing and Residential growth
6 February	Communities and Equalities Scrutiny Committee	Report covering Neighbourhoods

## 8. Next Steps

- 8.1. Recommendations from the February Scrutiny Committees will be considered by the Executive at its meeting 12 February 2020 where it will agree its final budget recommendations. These recommendations will be considered by the Resources and Governance Scrutiny Committee at its special budget meeting on 24 February. Chairs of the other five Scrutiny Committees will be invited to attend this meeting to articulate the views of their Committee regarding the proposals. The Council will then make its final decisions and will set the budget on 6 March 2020.
- 8.2. The timeline is detailed below.

**Table Six: Remaining Budget Timeline**

Date	Event
4 - 6 February 2020	Scrutiny Committees receive budget reports and associated savings proposals
12 February 2020	Executive - proposes budget - suite of budget reports (revenue and capital)  Final Corporate Plan
24 February 2020	Budget Resources and Governance Scrutiny - Revenue and Capital
6 March 2020	Budget Council

## **9. Budget Position from 2021/22**

- 9.1. Work is ongoing to establish the budget requirements for 2021/22 and beyond. This is in the context of considerable changes to Local Government Funding including the outcome of the Spending Review, a review of local authorities relative needs and resources (also known as the Fair Funding Review) which will consider how local government funding is distributed, reform of the Business Rates Retention scheme, and the government proposals on the future of Adult Social Care funding and interaction with the NHS 10-year long term plan. The government is expected to make a budget announcement on 11 March 2020 which may give some clarity on the direction of funding for Local Government.
- 9.2. With regard to the Fair Funding review, little detail is, as yet, available on the potential impact. However, on 24 January 2020 the Local Government Association released an exemplification for adult social care funding based on research by the Personal Social Services Research Unit (PSSRU); and which is expected to inform the individual Local Authority allocations. This calculation has been widely reported and shows a potential reduction in funding of c14% overall for Manchester. At 2018/19 national spend levels (on which the exemplification is based) this would equate to a cut of around £22m, though it is noted the weighting of Adults in the 2021/22 formula is yet to be determined. It is recognised that this is just one element of the overall funding envelope for Local Government, but nevertheless is very concerning for Manchester. It is expected that there will be time limited transition funding. However, at this stage, the Government is yet to announce its formal funding proposals.

## **10. Conclusions**

- 10.1. The Council remains committed to the priorities within the Our Manchester strategy and the Council's revised corporate plan. The proposed 2020/21 budget reflects changes arising from the Spending Round announcements, the Provisional Local Government Finance Settlement 2020/2, forecast pay awards, notifications from GMCA and a robust review of all council service spend to realign budgets and identify savings options.
- 10.2. The draft budget is based on the best information available to date, however there will be potential changes arising from the outcome of the Final Local Government Finance Settlement and other government funding announcements.

## **11. Recommendations**

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



## Manchester City Council Report for Resolution

**Report to:** Economy Scrutiny Committee – 6 February 2020  
Executive – 12 February 2020

**Subject:** Growth and Development Budget Report 2020/21

**Report of:** Strategic Director, Growth and Development

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### Purpose of Report

This report provides a further updated Growth & Development medium term financial plan, and budget proposals for 2020/21. The report has been updated in order to reflect feedback from the January round of scrutiny meetings on the original draft proposals.

The report should be read in conjunction with the Council's overarching Business Plan report

### Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

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**Wards Affected:** All

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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 leadership to support, promote and drive the role and continuing growth of the City centre as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Supporting the delivery of a Schools Capital Programme which will provide new and expanded high quality primary and secondary school facilities for a growing population through the identification of suitable sites which can support our wider transformation proposals for neighbourhoods in the City. Work and Skills are supporting the Manchester College to develop a City Centre campus to deliver higher level skills required by the City's growth sectors.

	Manchester Adult Education are raising skill levels of Manchester residents and ensuring they 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 and partners actively demonstrate the principles of Our Manchester. Providing opportunities for our residents furthest from the labour market to access work, skills & progression opportunities.
A liveable and low carbon city: a destination of choice to live, visit, work	Actively manage the impact of a growing population and economy to minimise the City's carbon emissions through planning and working with partners across the City to move towards becoming a zero carbon City by 2038.
A connected city: world class infrastructure and connectivity to drive growth	Contribution to population and economic growth by providing an expanded, diverse, high quality housing offer that is attractive, affordable and helps retain residents in the City, ensuring that the growth is in sustainable locations supported by local services, an attractive neighbourhood and the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

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### **Financial Consequences for the Capital and Revenue Budgets.**

The proposals set out in this report will be considered as part of the City Council preparation of the 2020/21 budget which will be submitted to the Executive on 12th February 2020.

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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.

Strategic Development Budget and Business Planning: 2018-2020 - Executive – 7 February 2018

Strategic Development Business Planning 2019/20 - Executive 13 February 2019

## 1 Introduction

- 1.1 This report provides the proposed 2020/21 revenue and capital budget proposals for the Growth and Development Directorate. The majority of the Growth & Development budget will be considered by this Committee, but members should be aware that the Operational Property, Facilities management service and investment estate budgets are to be considered by Resources & Governance Committee.
- 1.2 This report also includes those areas of service which are within the remit of Economy Scrutiny Committee but not within the Growth and Development Directorate, namely business units from Neighbourhood Service and details of this area is set out in section 4 of this report.
- 1.3 As part of preparing the proposals a comprehensive review has been undertaken across all service areas in order to ensure that the existing budgets are realistic and sufficient to ensure that the service area can deliver its objectives in supporting the City Council Corporate plan priorities. Where pressures have been identified, work has been undertaken to identify mitigation from within existing budgets and details are included within the report.
- 1.4 The Growth and Development Directorate budget strategy is a continuation of the preceding three-year budget strategy, whereby officers will continue to seek to manage budget pressures whilst ensuring all income generation is maximised to support the wider Council budgets.
- 1.5 The current budget proposals are a one-year budget plan to reflect the Government's Spending Round for local government, although this plan does form part of a longer term budget strategy that seeks to protect front line services. In order to provide this protection, the main areas of review for identification of efficiencies are through either growing the commercial opportunities to increase the levels of income, or improving internal processes to ensure functions are delivered more efficiently.

## 2 Background and Context

- 2.1 The Growth and Development Directorate ("Directorate") has a pivotal role in driving the **sustainable economic growth of the city** by securing new commercial development, attracting inward investment and generating employment growth across the city. The Directorate is delivering the City Council's Residential Growth Strategy which underpins the city's economic growth trajectory. The management of the City Council's land and property assets to promote growth is closely aligned with the management of the City Council's operational and investment estates. The planning, building control and licensing functions further enhance the strategic planning and place shaping function.
- 2.2 The Work and Skills and Adult Education services ensure that **Manchester residents directly benefit from the economic growth and development of**

- the city and associated jobs creation.** The Directorate also works with a range of stakeholders to enable people to better support their **children's learning, fulfilling their potential** and to be active citizens contributing in their communities. For an increasing number of residents, this means support to manage the impact of welfare reform and transition to universal credit.
- 2.3 The Directorate has the central role in **ensuring the delivery of the right mix of safe, secure and affordable housing for Manchester residents to have a good choice of safe and secure homes: We will accelerate and sustain the delivery of more housing, including enough which is affordable for our residents on low and average incomes** and will intervene, where necessary, to speed up the delivery of housing across the city, including developing homes ourselves.
- 2.4 The Directorate recognises that we have a responsibility to support some of our most vulnerable residents, those at risk of, or **experiencing homelessness, and we are dedicated to enabling better housing options and better outcomes.** The recent review of the Housing Allocations Scheme was undertaken to ensure that the correct level of rehousing priority is given to vulnerable people.
- 2.5 The Directorate also works directly with colleagues in the Neighbourhood Directorate in the planning and delivery of new **neighbourhoods** making sure these meet the needs of our diverse and complex communities. We work proactively in partnership with businesses, residents and partners to make sure our developments meet local needs to deliver neighbourhoods people want to live in and are designed to enable quality neighbourhood management services (such as waste collections and recycling).
- 2.6 As the Directorate with the key role for creating places where people will live or work our developments must consider the impact on **highways, public transport and digital connectivity.** Through working with partners both internally and externally we will seek to maximise the impact of the provision of new and enhanced physical and digital infrastructure such as good local, regional, national and international transport connections, bus reform, Metrolink expansion, and new walking and cycling infrastructure, within the framework of the refreshed City Centre Transport Strategy and emerging Clean Air Strategy.
- 2.7 Supporting Manchester's commitment to be a zero carbon city by 2038 is a priority for the directorate by reducing the Council's direct CO2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings. The Directorate will also use its influence and leadership role across the city to encourage others to reduce CO2 emissions in industry, commercial and residential sectors through developing planning policy and influencing contractors through procurement and commissioning arrangements.

- 2.8 The Directorate strives to be **well managed, to balance our budgets** and to provide additional efficiencies and **increase income** from the Council's property portfolio to help underpin the council's budget.
- 2.9 The Directorate also actively supports the Our Transformation programme through the ongoing review and rationalisation of our operational estate from which the council delivers its services. We constantly review our operational estate to ensure the Directorates have the right building assets to deliver quality services and the Corporate Plan. We also actively encourage our teams to work differently, and in an agile and flexible way as part of demonstrating our commitment to Our Ways of Working.
- 2.10 The **Our Manchester behaviours** are at the heart of how we work. As a Directorate we are committed to put people at the centre of everything we do, recognising that people are more important than processes, procedures or organisational boundaries. We are committed to listening, then learning, then responding to the needs of our residents and creating the capacity, interest, enthusiasm and expertise for individuals and communities to do things for themselves. We are committed to working together more, by building long term relationships and having honest conversations which provides both those who need services and those who provide them with a say in the delivery of services and a role in delivering the services.

### 3 Revenue Strategy

- 3.1 The Directorate has a revised gross budget of £58.1m, and a revised net budget of £5.816m with 654 full time equivalent employees. The table below provides a breakdown by service area:

**Table 1: 2019/20 Base budget**

Service Area	2019/20 Gross Budget (Original) £'000	2019/20 Net Budget (Original) £'000	2019/20 Gross Budget (Revised) £'000	2019/20 Net Budget (Revised) £'000	2019/20 Budgeted Posts (FTE)
Operational Property	12,081	7,076	12,460	7,209	34
Facilities Management	13,554	9,025	13,311	9,100	176
Investment Estate	7,551	(13,990)	7,631	(13,830)	28
Growth & Development	1,763	324	982	161	3
City Centre Regeneration	1,213	425	790	510	10
Housing and	3,474	1,577	3,421	1,524	33

Residential Growth					
Planning, Building Control and Licensing	8,189	(620)	7,282	(605)	132
Work and Skills and MAES	14,918	1,723	12,305	1,747	235
<b>Grand Total</b>	<b>62,743</b>	<b>5,540</b>	<b>58,182</b>	<b>5,816</b>	<b>651</b>

- 3.2 The 2019/20 cash limit budget is £5.816m. This is net of the £1.020m increased income approved as part of the 2019/20 budget process. The Directorate is on target to deliver the increased income and the Directorate is forecasting a breakeven position in 2019/20.
- 3.3 The subjective breakdown of the Directorate budget is provided at Appendix 1, this includes c£10.5m of Government Grants and these are the Government Grants that fund Manchester Adult Education Service.
- 3.4 Following a review of all Growth and Development budgets, efficiency proposals (including additional income) of £1.695m have been identified over the next three years, of which c£0.990m is proposed for 2020/21. Against this, there are known pressures of c£455k for 2020/21 of which £300k is proposed to be mitigated from within the identified efficiencies, and £155k is to come from Corporate resources. This leaves a net £0.690m contribution towards supporting wider Council priorities. Further details on both the identified pressures and proposed 2020/21 efficiencies/additional income are set out in the paragraphs which follow.

### **Budget Pressures**

- 3.5 Following a procurement exercise a new contractor (Engie) was appointed to undertake the repairs and maintenance contract for the Council's Corporate Estate. As part of the initial mobilisation arrangements there have been some additional transitional costs of c£300k, although the contractor is continuing to look for ways of reducing this cost it is expected that these costs will continue during 2020/21. It is proposed that the additional costs will be funded from within the existing facilities management budgets, and virements will be undertaken to ensure budgets are correctly aligned.
- 3.6 Lloyd St toilets are the City Council only owned public toilets within the City centre and in order to ensure there is 24/7 facilities available within the city centre and to support the homeless agenda it has been agreed that Lloyd St toilets will be opened. In order to facilitate the longer opening hours it was recognised that additional security would be required and the forecast cost of this is £155k per annum. The part year costs in 2019/20 have been met from within existing budgets, but as part of the budget proposals additional investment of £155k from Corporate resources is proposed to be used to fund the ongoing costs in future years.

### Efficiency/Income Growth Proposals

- 3.7 Manchester Airport Group (MAG) approached the Council in 2018 with a proposal to re-gear part of the main Airport leases in respect of their non-core investment assets and any increase in lease income is shared with the Greater Manchester districts. In order to facilitate this, it is proposed that the Council grant a lease of these assets for a term of 275 years that will be on standard commercial terms capable of attracting investment to the assets. The grant of this lease has a significant value and the ground rent has been assessed at £0.603m per annum and agreed between the parties. **The additional income due to the Council will be £340k per annum.**
- 3.8 The Council has been in commercial negotiation around leasing a currently vacant Council asset to new occupiers, it is expected that the annual lease income for these premises will be around **£300k per annum**, but because it is anticipated that new occupier will only take up the space around September 2020 there is currently **only £150k assumed in 2020/21** with a further £150k to be realised in 2021/22.
- 3.9 A number of Council housing properties that are managed by Northwards on behalf of the Council have had solar panels installed. The initial investment in the panels was funded by a combination of Government grant and general fund capital resources. These installations provide benefits to the residents through reduced energy bills, and an income stream to the Council in terms of the feed in tariff, providing an **additional £200k per annum income.**
- 3.10 As referenced at 3.4 above in order to meet the additional £300k costs of the transitional facilities management staffing costs, budgets of £300k will be identified from within existing facilities management budgets.
- 3.11 As part of the move to consolidate all advertising in order to maximise the commercial benefits to the Council it is proposed to transfer the service from within the Investment estate to the Neighbourhood Service under the Director of Commercial & Operations. The existing approved income budget of £2.363m will be transferred from Growth and Development to the Neighbourhood Service budget and this will become effective from April 1st 2020.

**Table 2: Proposed budget 2020/21**

Service Area	2019/20 Revised Net Budget £'000	Savings / Income Options £'000	Investment and other changes £'000	2020/21 Net Budget £'000
Operational Property	7,209			7,209



Facilities Management	9,100		155	9,255
Investment Estate	(13,830)	(490)	2,363	(11,957)
Growth and Development	161			161
City Centre Regeneration	510			510
Housing and Residential Growth	1,524	(200)		1,324
Planning, Building Control and Licensing	(605)			(605)
Work and Skills and Manchester Adult Education Service (MAES)	1,747			1,747
<b>Grand Total</b>	<b>5,816</b>	<b>(690)</b>	<b>2,518</b>	<b>7,644</b>

#### 4 Scrutiny Arrangements

- 4.1 As part of looking to support scrutiny committee with their roles all service areas from across the Council under the remit of each scrutiny panel have been included in one overall report.
- 4.2 This section includes both the background and proposed budget changes for business units which do not sit within the Directorate but which form part of the remit for the Economy Scrutiny Committee. Budget changes arising from business units are not included in the Directorate summary in table 2 above, but will be included within the Neighbourhood Directorate tables.
- 4.3 **Business Units** has a revised gross budget of £23.677m and a net budgeted contribution of (£3.053m), and there are 414 ftes. Business Units includes the following trading services Bereavement, Markets, Fleet, Pest Control and Manchester Fayre. There are pressures of £0.679m identified within business units, these are mainly around lower than forecast income in Markets and efficiencies of £218k, arising through increased income. Further details are provided below in para 4.4 - 4.9 around both pressures and operational efficiencies and increased income from Business units.
- 4.4 **New Smithfield Market (NSM)** is the largest Wholesale Market in the North West and an important regional, sub-regional and local wholesale market. It is a key component of the secondary food supply chain. It currently employs c600 people and generates around £16.3m gross value added to the Manchester economy. A report has been commissioned around the potential redevelopment of the market which is expected to be brought forward for

consideration in 2020/21. This would ensure a modern, fit for purpose, facility that can further enhance the economic value of the site. The current wholesale market halls are in a state of disrepair which limits the income generating potential of the site and substantially increases the annual running costs. The forecast gross budget pressure is c£0.504m per annum, it is anticipated that c£87k of this can be mitigated through increased service charge income in 2020/21, this leaves a **net pressure of c£417k**.

- 4.5 The Sunday morning car boot sale has seen a steady decline in the annual customer footfall in recent years, and this has resulted in 240,000 less customers per year than five years ago. This decline which is reflective of wider societal changes has also seen a reduction in the number of traders, there are currently 160 to 180 market stall traders on any given operating day, although there are 546 trading spaces. The reduction in traders has been dropping consistently over recent years and this has left the market looking sparse in some areas which can result in further decline. Despite this decline the Sunday Car boot market continues to make an overall net surplus and in 2019/20 this is forecast to be c£190k, although this is **c£262k lower than the current approved budget** and it is proposed to mitigate this as part of the current budget proposals.
- 4.6 The overall performance of the retail markets is positive, with a budget contribution of £0.5m to the Neighbourhood Services net budget. However, this does include a subsidy of c£120k in relation to Wythenshawe market. An economic impact report has been completed in respect of the district retail markets which has identified a number of issues with Wythenshawe, particularly around the location of the current market. These considerations will be taken into account in any plans around the redevelopment of the Town Centre.
- 4.7 Grounds Maintenance are scheduled to review the existing machinery requirements and through better utilisation of machinery it is forecast that **£20k efficiency** can be achieved.
- 4.8 **Specialist Markets - £86k increased** income from the continuation of the revised operating model at Piccadilly Market which involved opening for an extra day per week for the first half of 2019/20 and then increasing this to an additional two days for the remainder of the year continuing into 2020/21, an increase in pitch fees for 2020/21 and a negotiated reduction in storage costs for markets equipment.
- 4.9 **Trading Services/Business Units - £112k additional income** with £21k from Pest Control as a result of additional commercial fees and £91k from an overall increase in volume and fees for Bereavement Services.

## 5 Capital Strategy / Programme

- 5.1 The capital programme for Strategic Development totals £630.1m over the period 2019/20 -2023/24, this includes the cultural programme, the Town Hall refurbishment, funding to support the Council's corporate property,

regeneration/development funding, and private sector housing. A summary of the current capital budget is shown in the table below, and details of the individual projects will be found in the Capital Strategy and Budget report for Executive in February:

**Table 4: Capital Programme**

	<b>2019/20 £m' s</b>	<b>2020/21 £m's</b>	<b>2021/22 £m's</b>	<b>2022/23 £m's</b>	<b>Future Years £m's</b>	<b>Total £m's</b>
Culture	30.1	55.7	13.7	-	-	99.5
Our Town Hall	17.0	49.1	92.7	99.3	34.7	292.8
Corporate Property	18.2	33.4	21.4	0.7	-	73.7
Regeneration/ Development	42.5	29.9	18.8	13.5	-	104.7
Private Sector Housing	10.3	22.6	15.0	3.5	8.0	59.4
<b>Grand Total</b>	<b>118.1</b>	<b>190.7</b>	<b>161.6</b>	<b>117.0</b>	<b>42.7</b>	<b>630.1</b>

- 5.2 During the 2019/20 financial year the new Hulme District Office has opened, and work on the refurbishment of Alexandra House has begun. Work on the Factory site is continuing, and the Town Hall project is close to achieving notice to proceed. Both groundworks and construction of the engine room for the Civic Quarter Heat Network have started, and negotiations on the land assembly strategy for the Northern Gateway have progressed.
- 5.3 The Capital Strategy and Budget represents a continuation of the existing approved capital budget. The report to Executive will provide information on the expected future investment requirements for the Council, for example in regard to the commitment to deliver new affordable housing stock, to continue to pursue inclusive growth across the City, and to focus future investment to ensure that the corporate estate is fit for purpose.
- 5.4 Work is continuing on reviewing both the capital strategy and proposed budget for 2020/21 onwards, and the outcome of this work will be included in the February scrutiny paper.

## **6 Impact on Workforce**

- 6.1 The framework for how the Council supports its workforce is set out in the People Strategy. As the 2020/21 budget is a roll forward from 2019/20 there are limited changes to the previously agreed priorities. Recruitment is underway for the additional capacity in housing and planning that was

approved as part of the 2019/20 budget. There are no further implications for the workforce arising from what is set out in this report.

**6.2 Key workforce priorities for 2020/21 will include:**

- The detailed staff survey (BHeard) results are due to be released in late January 2020 and once available, the Directorate will review the outcome in order to identify actions to be taken in order to help to build on the strong and positive relationship between staff and managers.
- The Directorate will continue to offer apprenticeship opportunities to internal staff and external applicants wherever suitable in order to facilitate skills development, succession planning and to maximise spend of the apprenticeship levy. Apprenticeships also provide greater accessibility to many local residents who may otherwise have barriers to accessing the employment market.

**7 Equality, Diversity and Inclusion**

- 7.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels 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 Risk Management**

- 8.1 The Directorate will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

**9 Legal**

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

**10 Conclusion**

- 10.1 The budget strategy provides information on the work that has been undertaken, and is ongoing within the Directorate to ensure that we are able to meet the existing budget pressures, whilst also contributing efficiencies towards the wider council budgets.
- 10.2 The proposed revenue budget for 2020/21 is a one year budget which is aligned to both the Governments one year budget settlement and the City Council one year budget proposals.

- 10.3 The budget proposals in this report reflect the initial feedback from the January round of scrutiny meetings and will be submitted to the 12 February 2020 Executive for approval

**Appendix 1 - Delivery Plans****1. Revenue Financial Plan**

<b>Subjective Heading</b>	<b>2019/20 Revised Budget £'000</b>	<b>2020/21 Indicative Budget £'000</b>
<b>Expenditure:</b>		
Employees	23,898	23,898
Running Expenses	37,015	37,170
Capital Financing Costs	0	0
Contribution to reserves	266	266
<b>Total Subjective Expenditure</b>	<b>61,179</b>	<b>61,334</b>
<b>Less:</b>		
Other Internal sales	(6,020)	(6,020)
<b>Gross Expenditure</b>	<b>55,159</b>	<b>55,314</b>
<b>Income:</b>		
Government Grants	(10,566)	(10,566)
Contributions from Reserves	(8,523)	(7,823)
Other Grants Reimbursements and contributions	(44)	(44)
Customer and Client Receipts	(30,122)	(29,149)
Other Income	(88)	(88)
<b>Total Net Budget</b>	<b>5,816</b>	<b>7,644</b>