

**Manchester City Council
Report for Resolution**

Report to: Economy Scrutiny Committee – 14 January 2021
Executive – 20 January 2021

Subject: Growth and Development Directorate Budget Proposals 2021/22

Report of: Strategic Director (Growth & Development)

Purpose of Report

As a result of additional demand for services and impact on the Council's income (as set out in the November reports to Executive and scrutiny committees) the Council is facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17th December suggest the Council will not be facing the worst-case scenario for 21/22, which was a shortfall of around £100m. It is now expected that savings in the region of £50m, as previously identified, will be sufficient. The report of the Deputy Chief Executive and City Treasurer, to Resources and Governance Scrutiny Committee 12 January provides an update on the finance settlement.

This report provides a further update to the Scrutiny committee on the savings proposals being proposed as part of the 2021/22 budget process and reflects any feedback from the November Scrutiny committees. The savings proposals will be considered by all six Scrutiny Committees for those areas within their remit, prior to going out to public consultation.

Recommendations

The Committee is asked to consider and make comments on the savings proposals identified prior to being considered by Executive 20 January 2021.

The Executive is asked to endorse the proposals.

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

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The savings proposals included within this report are proposed as part of the 2021/22 budget preparation work and will contribute towards ensuring that the Council can deliver a balanced budget.

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 proposals included within this report.

Contact Officers:

Name: Louise Wyman
Position: Strategic Director Growth and Development
Telephone: 0161 234 5515
Email: Louise.wyman@Manchester.gov.uk

Name: Paul Hindle
Position: Head of Finance
Telephone: 0161 234 3025

E-mail: paul.hindle@Manchester.gov.uk

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.

Growth and Development Directorate Budget 2020/21 - Executive 12 February 2020
Growth and Development Budget Options 2021/22 – Executive 11 November 2020

1. Introduction

- 1.1 As a result of additional demand for services and impact on the Council's income (as set out in the November reports to Executive and scrutiny committees) the Council is facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on December 17 suggest the Council will not be facing the worst-case scenario for 21/22, which was a shortfall of around £100m. It is now expected that savings in the region of £50m, as previously identified, will be sufficient to support a balanced budget for 2021/22. The report of the Deputy Chief Executive and City Treasurer, to Resources and Governance Scrutiny Committee 12 January provides an update on the finance settlement.
- 1.2 Following on from the November Scrutiny Committees, all Directorates have continued to develop and work through the budget proposals, and this work has taken into consideration the feedback from the November meetings. Overall savings proposals from all Directorates total around c.£50m. Wherever possible consideration has been given to protecting front line services and to protect the capacity to support the recovery planning.
- 1.3 Overall the Growth & Development Directorate has identified proposed budget reductions of **c. £2.314m**. This would require a reduction of **c22** full time equivalent (FTE) posts. Due to lead in time around required investments and timing on the ability to exit some contracts/leases, the £2.314m would be phased over the period 2021/22- 2024/25, with an initial £2.024m being delivered in 2021/22. Further detail is set out in the table below.
- 1.4 The proposals identified that are under the **remit of this Committee total £0.733m and requires a reduction of 11fte's**, further details on these proposals are included in section 4 of this report.
- 1.5 As part of identifying the proposed budget reductions consideration has been given to trying to minimise the impact on residents, businesses and other stakeholders, although this is not always possible.

2. Growth and Development Directorate Background and Context

- 2.1 The Growth and Development Directorate ("Directorate") has a pivotal role in driving the **sustainable economic growth of the city that benefits everyone**. They achieve this by securing new commercial development, attracting inward investment, generating employment growth across the city, and also supporting businesses and communities to thrive. The directorate has the leading role in the economic recovery of the City following the decline due to Covid-19. 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 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 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).
- 2.5 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.
- 2.6 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.

3. Growth and Development 2020/21 Budget Position

- 3.1 The Growth and Development Directorate has a gross budget of c.£65m, and a net budget of c.£9.2m, with 636.5fte's. 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) £'000 |
|-----------------------|---------------------------------------|-------------------------------------|---|
| Operational Property | 12,061 | 8,145 | 35.8 |
| Facilities Management | 14,943 | 9,687 | 176 |

| Service Area | 2020/21 Gross Budget £'000 | 2020/21 Net Budget £'000 | 2020/21 Budgeted Posts (FTE) £'000 |
|--|---|---|---|
| Investment Estate | 8,198 | (11,904) | 28.8 |
| Growth & Development | 397 | 164 | 2.6 |
| City Centre Growth and Infrastructure | 1,773 | 527 | 11.9 |
| Housing & Residential Growth | 5,376 | 1,445 | 34.9 |
| Planning, Building Control & Licensing | 7,442 | (588) | 133.1 |
| Work & Skills | 1,891 | 1,773 | 25.6 |
| MAES | 10,389 | 0 | 182 |
| Our Town Hall Project | 2,385 | 0 | 5.8 |
| Grand Total | 64,855 | 9,249 | 636.5 |

- 3.2 The 2020/21 cash limit budget is £9.249m and this is net of the £0.690m savings that were approved as part of the 2020/21 budget process.

Current In year forecast Position at October 20 (Period 7)

- 3.3 As at August 2020 the Directorate is forecasting a net overspend of £3.86m, this includes Covid-19 related pressures of £7.305m, offset by in year mitigation of £3.445m.
- 3.4 The Covid-19 pressures are made up of a combination of £4.718m reductions in income and increased cost pressures of £2.581m. The main loss of income has arisen within the Investment estate due to tenants not being in a position to pay their rents because their business has been impacted by Covid-19. In the majority of cases any support has been provided in the form of deferment of rent, rather than write off. This is in order to support businesses with cash flow, whilst also seeking to protect the Council overall position although the level of bad debts is likely to increase.
- 3.5 In addition to the income reductions, there have been increased costs with the main costs being in respect of supporting the Corporate response to supporting the City's most vulnerable residents with food support as part of the Community Hub during the Covid crisis, this is forecast to cost over £2m in the current financial year.
- 3.6 As part of the ongoing work seeking to mitigate the above pressures in year forecast savings of £3.445m have already been identified, this is largely due to staff savings because of vacant posts and reduced running costs across all services.

4. 2021/22 onwards Savings Proposals

- 4.1 In response to the identified Council wide budget gap all budgets have been reviewed and the proposed Growth and Development identified savings equate to an initial **£2m** in 2021/22 increasing to **£2.3m** by 2024/25, although this does require a 22fte reduction across the Directorate. This report sets out

the proposals that are relevant to this Committee, and these **total £0.733m and include a reduction of 11fte's**. Further details of the proposals are set out in more detail below whilst the table at appendix 1 provides a summary view along with RAG rating.

Proposed Savings

- 4.2 **Housing and Residential Growth - £190k**, growth agenda continues to be a priority, current work streams include the establishment of the Housing development vehicle, review of the housing ALMO, and ongoing development including increasing the supply of both affordable social housing and private housing.
- 4.3 In light of the above, savings of £190k having been identified through increased rental income from a recently completed development, it is likely that this income could increase year on year as rent levels increase.
- 4.4 **Planning, Building Control and Licensing - £393k -11fte**, the service operates on a fee recovery basis, and there are certain ring fencing arrangements in place around how the fee income can be utilised. There are elements of the service that are statutory functions and any cuts will need to consider these statutory functions.
- 4.5 There are currently 11 existing vacancies across both planning and building control and holding these posts vacant will save c£393k. It is proposed that the posts will only be filled if additional funding is identified.
- 4.6 **Work and Skills - £150k** - The Government have recently announced they will provide £100k additional financial support for youth unemployment it is proposed to use this funding to offset existing mainstream budget provision. Given the likely increase in youth unemployment arising from the current economic uncertainty this does not allow resources for any increased support for youth unemployment.
- 4.7 In addition to the above a further **£50k reduction in commissioning** activity in business support & employment is proposed.
- 4.8 Both the above savings proposals will reduce the level of resources available and will impact on the team's ability to respond to the unemployment crisis and contribute to Manchester's economic recovery. It will mean some areas of work cease, such as sector based work, and reduce the team's ability to coordinate skills, training and employment support offered at a local level.

5. Workforce Implications

- 5.1 The City Council is seeking to avoid compulsory redundancies, and the workforce implications related to the proposals included in this report require a reduction of c.11fte's of which all posts are currently vacant.
- 5.2 As part of supporting Directorates to achieve staffing reductions, the Council

Opened a limited voluntary redundancy/voluntary retirement scheme. The scheme was initially for the Corporate Core who have a larger number of posts to lose, but on a limited basis for time limited or other posts and in other areas where there are savings or changes that need to be achieved. The scheme closed on 11th December.

- 5.3 Consultations have started with the Trade 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.

6. Equalities

- 6.1 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.
- 6.2 As part of implementing the savings proposals an Equality Impact Assessment will be undertaken for each of the proposals. The outcome of which will inform the future planning and delivery to ensure that no residents are disproportionately affected by the changes to services.

7. Risk management

- 7.1 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.

8. Legal

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

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 2020/21 budget gap is currently c£50m, but this increases further in 2022/23. Directorates have identified savings proposals of c£50m that can be implemented from April 2021 to ensure a balanced budget in 2021/22.

Appendix 1

| Service | Description of Saving | Type of Saving | RAG Deliverability | RAG Impact | Amount of Saving | | | FTE's |
|--|--|----------------|--------------------|------------|------------------|-----------------|-----------------|-----------|
| | | | | | 21/22 £000's | 22/23 £000's | Total £000's | |
| Planning, Licensing & Building Control | Hold/delete 11 vacant posts | Reduction | Green | Amber | 393 | | 393 | 11 |
| Housing & Residential Growth | Additional income from housing redevelopment | Income | Green | Green | 190 | | 190 | 0 |
| Work & Skills | Reduction in commissioning activity | Reduction | Green | Green | 50 | | 50 | 0 |
| | Government Funding for youth unemployment, | Income | Green | Green | 100 | | 100 | 0 |
| Total | | | | | 733 | | 733 | 11 |