

**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 10 November 2022

Subject: Growth & Development 2023/24 Budget Proposals

Report of: Strategic Director Growth & Development

Summary

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

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

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

Recommendations

The Committee is recommended to:

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

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

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

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

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

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

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

Financial Consequences – Capital

None directly arising from this report.

Contact Officers:

Name: Becca Heron
Position: Strategic Director – Growth & Development
Telephone: 0161 234 5515
E-mail: rebecca.heron@manchester.gov.uk

Name: Paul Hindle
Position: Head of Finance – Corporate Core, Neighbourhoods, Growth and Development
Telephone: 07812 057541
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.

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

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

[Growth and Development Directorate Budget 2022/23 - Executive 16 February 2022](#)

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

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

1. Introduction and Purpose

- 1.1. The report is the first in the cycle for the budget programme 2023-26. It sets out an overview of the services within the remit of this scrutiny committee and their key priorities. The budget growth assumptions in the MTFP are set out. The report provides a draft set of officer proposals for further savings for 2023-26, developed in the context of the financial challenge facing the Council

2. Service overview and priorities

- 2.1. The Growth and Development Directorate has a pivotal role in driving the sustainable economic growth of the city to benefit everyone. This is achieved through securing new commercial and residential development, attracting inward investment, generating employment growth across the city, connecting residents to those opportunities, and supporting businesses and communities to thrive.

- 2.2. The Directorate is made up of the following services:

City Centre Growth & Infrastructure

- 2.3. The City Centre Growth & Infrastructure Team provides the essential focus and drive in the delivery of a wide range of initiatives that support inclusive growth, regeneration, and strategic transport and infrastructure provision across the city, with a particular responsibility for the city centre.

- 2.4. Key priorities include:

- Working collaboratively with a range of partners, facilitating the delivery of major regeneration schemes and developing infrastructure and environmental policy to drive inclusive growth across the city.
- Encouraging new inward investment to the city, facilitating the creation of new jobs.
- Aligning growth and infrastructure objectives to support delivery of the city's Climate Change Action Plan and related policies.
- Working with a range of Council services, external organisations and agencies to support place management and to ensure the holistic and effective management of the city centre, including public realm.
- Leading transport infrastructure development, including public transport investment, active travel projects and the development of overarching transport strategies, including the City Centre Transport Strategy.

Strategic Development

Major Regeneration

- 2.5. The Major Regeneration Team is focussed on delivering the significant regeneration opportunities provided by North Manchester and Eastern Gateway.

- 2.6. In North Manchester, the Victoria North initiative, which is being driven through a Joint Venture Partnership between the City Council and Far East Consortium is seeking to develop 15,000 much needed new homes across a range of tenures in 7 new or revitalised neighbourhoods at the northern edge of the city centre, together with a new city river park connecting a series of new and improved green spaces in or adjacent to the Irk River valley. The intention is that 20% of new homes developed will be affordable. This initiative, combined with the planned redevelopment of the North Manchester Health Campus (currently the North Manchester General Hospital), could provide development with a value in excess of £4 billion, catalysing the wider regeneration of the north of the city.
- 2.7. The team also leads on the further regeneration of the Eastern Gateway area, comprising the neighbourhoods of Ancoats, New Islington, Holt Town and the Lower Medlock Valley. Working in the “Manchester Life” Joint Venture with Abu Dhabi United Group and other developers including Registered Providers, the City Council is seeking to deliver in excess of 6,000 homes and commercial uses as part of this scheme, building on the success of what has been delivered in Ancoats and New Islington to date.

Strategic Housing

- 2.8. The service has developed a new 10-year housing strategy for the City which was approved in 2022 and will deliver on the following objectives:
- Increase affordable housing supply & build more new homes for all residents
 - Work to end homelessness and ensure housing is affordable & accessible to all
 - Address inequalities & create neighbourhoods where people want to live
 - Address the sustainability & zero carbon challenges in new and existing housing

Planning, Building Control & Licensing

- 2.9. Planning, Building Control and Licensing service works within an ever-changing environment of national policy documents, regulations, and legal considerations which has seen additional demands placed on the service where the scale of development and the pressure on supporting compliance is already significant.
- 2.10. Crucially, the service plays a central role in delivering the Council’s sustainable growth agenda, promoting positive outcomes for the city, and helping to de-risk investment decisions into the city. This is about securing new development that strengthens the platform for attracting investment to deliver economic growth, the aims of the residential growth strategy and supporting an uplift in the environment that is safe, inclusive and responds to climate change. The remit of the service includes delivering all the statutory functions of the city council as local planning authority – over 4,000 planning applications per annum, appeals, heritage matters and compliance, the local

authority building control function, including building and fire safety, dangerous buildings and safety at sports grounds and the licensing function, both premises and taxis.

- 2.11. The Service is also responsible for the review and adoption of citywide policy. The local plan - Places for Everyone and the Core Strategy will provide long term policies aimed to deliver the Council's ambitions through the spatial planning framework. The Licensing Policy will also set out how the Council will support the night-time economy whilst protecting the amenity of our residents.
- 2.12. Each part of the service is required to develop strong networks internally and externally along with the ability to forge effective partnerships with external Agencies and to influence the private sector and other key stakeholders to deliver key council objectives through major projects and policy development.

Investment Estate

- 2.13. The Investment Estate, which is managed by the Development Team, covers all aspects of the Council's non-operational property estate. This includes property and land held for investment purposes, surplus land, and development assets, along with land and development opportunities held within Joint Venture arrangements.
- 2.14. The estate is extremely varied and covers assets such as the Council's freehold estate at Manchester Airport, Manchester Arndale Centre, Heron House, Wythenshawe Town Centre to over 2500 freehold reversionary interests of residential properties across the City. The rent roll from assets held for investment purposes is over £20m pa.
- 2.15. The service is responsible for dealing with the Council's surplus land, development, and regeneration assets. This includes running a programme of capital receipts of land to support the Council's growth ambitions and budget, which involves identifying, preparing, consulting on and undertaking the disposal of assets. The use of the Council's residential development land resource is key to delivering on the recently revised Housing Strategy, in particular ensuring affordable housing targets are achieved. The current in year programme identifies c£6m of capital receipts, and the service is currently on target to deliver that.
- 2.16. The service also oversees the delivery of strategic land and property acquisitions through the Strategic Acquisitions budget. Again, a rolling programme of priority site acquisitions to support the wider regeneration initiatives, such as Wythenshawe Town Centre, Holt Town and Eastern Gateway, Eccleshall Street.
- 2.17. The service, alongside colleagues in the Corporate Estates service, is currently finalising a new asset-led approach to the strategic management of the Council's land and property portfolio of assets to bring together well established and enhanced practices and policies into a single framework document. This Strategic Asset Management Plan (SAMP) will create a new

comprehensive framework against which the Council's decisions relating to its property assets are taken, measured against the Council's overarching objectives and policy documents, through a simple and transparent evaluation model. Once adopted this will be managed and resourced through close working between the two teams, ensuring a life cycle approach to the management of the Council's wider asset base including operational, non-operational, surplus and development portfolios.

- 2.18. Through initiatives such as Wythenshawe Town Centre and the submission of the Round 2 Levelling Up Bid, as well as the preparation of the wider masterplanning framework, which is currently out to consultation, and the acquisition of the St Modwens Shopping Centre interest the team is taking a lead role in the district centre programme. Along with Wythenshawe the team are leading on development frameworks for Gorton, Moston Lane and Withington as an initial phase of this work.
- 2.19. The team is also responsible for the undertaking of statutory functions including asset valuations for accounting purposes. These are carried out on an annual rolling programme by internal officers, outsourced partners and specialists procured through the Council's framework as appropriate. Other statutory advice includes undertaking planning viability assessment reviews, both when applications are received and through the reconciliation reviews contained within the s106 agreements. The service continues to work closely with colleagues in planning to ensure that new developments are seen to contribute appropriately through the statutory framework in line with national and local policy.

Manchester Adult Education Service (MAES)

- 2.20. MAES provides adult education, learning and skills from 7 adult education centres across the city. Its primary focus is on providing opportunities for residents with lower levels of skills & qualifications, with on average over 70% of learners on working age benefits and 80% from the City's most disadvantaged areas. Much of the skills curriculum offer is focused on English for Speakers of Other Languages (ESOL), Maths and English & Digital from entry level to GCSE with a vocational offer to Level 3 in childcare and care. There are good progression routes to employment and progression to further learning. The MAES core offer is complemented by enhanced employability support available to all learners through its Make It Happen programme.
- 2.21. MAES generates all its funding externally, mostly through the Greater Manchester Combined Authority (GMCA) commissioned Adult Education Budget. In addition, it receives Education and Skills Funding Agency) funding for 16- to 24-year-old Special Education Needs and Disabilities pupils, the cessation of the DLUHC funding for the Talk English programme has meant that MAES has had to diversify its income sources to maintain the provision. MAES has continued to see an impact of Covid in its delivery.

Work & Skills

- 2.22. The Work & Skills team is responsible for the development and delivery of the Work & Skills Strategy for the City. It provides a coordinated approach to the post-16 & adult skills and employment support offer across the city, to ensure that the offer is as coherent as possible for young people, adults and businesses and meets the city's labour market requirements. The team engages with local businesses on business growth, skills & employment opportunities and supports business networks across the city. Following Brexit and Covid, the labour market continues to be volatile with vacancies and skills gaps across both frontier and foundational sectors. The team works closely with other stakeholders and employers to maximise the most of these opportunities for Manchester residents.

Digital Strategy

- 2.23. Following the launch of Manchester's Digital Strategy in 2022, a small team has been recruited to help drive its delivery. Building on the city's digital strengths & working with internal and external stakeholders, the team is working to ensure that Manchester is a highly connected topflight digital city. The key priorities of the Strategy include ensuring that all the city's residents can be digitally included, connecting more & more diverse Manchester residents to the career opportunities in the sector; having highly connected neighbourhoods; continuing to support the breadth & depth of the digital sector in Manchester and using tech to contribute to the city's net zero ambitions.

Highways

- 2.24. The Highways Service works to improve the city's road networks and public spaces, delivering a range of work that keeps traffic flowing, maintains the public realm and designs major new highway schemes to benefit residents and visitors in Manchester. The Highways Service is made up of several teams:
- Network Management - keeping the city moving, managing parking, traffic, and other aspects of road safety
 - Design, Commissioning and Project Management Team (PMO) - managing and developing our highways
 - Public Realm - maintaining monuments, water features and keeping highway users safe
 - Reducing congestion and supporting business and economic recovery
 - Supporting active travel options of walking and cycling
 - Delivering a programme of highway improvements Revenue Budget.

3. Service budget and proposed changes

- 3.1. The Growth and Development Directorate has a gross budget of £35.5m, generates income of £44.8m resulting in a net income budget of £9.310m, and employs 409 FTEs.

- 3.2. In addition to the Growth and Development Directorate, the Highways service also falls under the remit of this scrutiny panel and the Highways service has a gross budget of £25.1m and a net budget of £17.6m with 243FTE. The breakdown by service area is provided in the table below:

Table 2: Base budget 2022/23

Service Area	2022 / 23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
City Centre Regen	2,734	1,034	16
Strategic Development	358	158	2
Strategic Housing	2,407	636	40
Major Regeneration	1,214	522	13
Planning, Building			
Control and Licensing	8,041	(679)	137
Investment Estate	8,648	(12,867)	31
MCDA	1,315	0	0
Work and Skills and MAES	10,860	1,886	170
Growth & Development Subtotal	35,577	(9,310)	409
Highways	25,181	17,685	243
Total	60,758	8,375	652

- 3.3. The services under the remit of this scrutiny panel have identified proposed savings of £3.54m over the three years and these are made up of Growth & Development (£2.044m) through a combination of £1.615m income generation and £429k efficiencies.
- 3.4. Highway's proposals of £354k over three years are a combination of increased income £235k, deleting vacant positions £119k and temporarily reducing gully cleansing. The proposed savings are detailed in Appendix 1.
- 3.5. The table in Appendix 3 sets out the three-year budget position for the directorate, and further narrative is provided in the following paragraphs.

Investment Estate

- 3.6. The Department receives a proportion of annual rental income from Manchester Airport Group. Based on estimates provided by the Airport, additional income has been built into the budget for the next three years. Achievement of this income is dependent on performance being in line with or better than the forecasts provided.
- 3.7. The proposed sale of the Gala Bingo building in Wythenshawe will result in a capital receipt, there is currently a budget of £170k in respect of the internal loan used to fund the acquisition of the building. Once the site is disposed of

the outstanding borrowing will be settled and there will be a saving of £170k per annum.

- 3.8. A review of the funding arrangements for staff has identified that it would be appropriate to capitalise c£250k per annum of costs. This review has taken into consideration the most appropriate source of funding given the activities of staff.

Strategic Housing

- 3.9. The deletion of a vacant grade 4 post will result in a £9k saving to the General Fund, with the balance of the saving being reflected in the Housing Revenue Account.

Highways

- 3.10. As part of looking to identify possible savings to support the overall budget, priority has been given to generating increased income. It is also proposed to delete two vacant posts and one neighbourhood liaison post and to reduce gully cleansing for a temporary period. The savings options identified total £0.354m over the three-year period, with the gully cleansing programme returning to an annual cycle from year three.

4. Growth and Service Pressures

- 4.1. There are no budget growth proposals or emerging pressures within this Directorate.

5. Workforce

- 5.1 As part of the savings proposals there is an overall reduction of 4 FTE and this will be managed through deleting vacancies and natural turnover.
- 5.2 The Council's establishment is fully budgeted for at the top of the grade. In reality, there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

6. Future opportunities and Risks

- 6.1. The Directorate continues to be affected by Covid, particularly around the investment estate and tenants seeking support for rent holidays – work is ongoing to assess each request on a case-by-case basis.

- 6.2. Current economic climate and cost of living crisis, particularly implications on development and investment in the city and particularly cost of living impact on residents.
- 6.3. Legislative changes in building safety requirements and change in requirements and increased demands on Planning and Building control.

7. Appendices

Appendix 1 – Savings Schedule

Appendix 2 – Indicative Medium-Term Budgets by Service

Appendix 3 - Indicative Medium-term Budgets by Type of Spend/Income