

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

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.

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 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

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
Grand Total	62,743	5,540	58,182	5,816	651

- 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
Grand Total	5,816	(690)	2,518	7,644

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

	2019/20 £m' s	2020/21 £m's	2021/22 £m's	2022/23 £m's	Future Years £m's	Total £m's
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
Grand Total	118.1	190.7	161.6	117.0	42.7	630.1

- 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

Subjective Heading	2019/20 Revised Budget £'000	2020/21 Indicative Budget £'000
Expenditure:		
Employees	23,898	23,898
Running Expenses	37,015	37,170
Capital Financing Costs	0	0
Contribution to reserves	266	266
Total Subjective Expenditure	61,179	61,334
Less:		
Other Internal sales	(6,020)	(6,020)
Gross Expenditure	55,159	55,314
Income:		
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)
Total Net Budget	5,816	7,644