

Manchester City Council Report for Resolution

Report to: Economy Scrutiny Committee - 5 November 2020
Executive - 11 November 2020

Subject: Growth and Development Directorate Budget Options 2021/22

Report of: Strategic Director Growth & Development

Purpose of Report

As part of the planning for the 2021/22 budget, the Council is estimating a budget gap of £105m in 2021/22 increasing to c £159m in 2022/23, and all Directorates have been seeking to identify savings options for consideration by Members. This report sets out the initial the officers' savings options that are relevant to this Committee.

Recommendations

1. The Committee is asked to consider and make recommendations to Executive on the savings options put forward by officers and prioritise which options they believe should be taken forward to ensure the Council is able to deliver a balanced budget.
 2. Executive are asked to consider the officer cuts and savings options, taking into account the feedback from this scrutiny committee.
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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 options included within this report are officer proposals and Members will need to prioritise which options are to be included as part of the 2021/22 budget preparation.

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 options included within this report.

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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.

Growth and Development Directorate Budget 2020/21 - Executive 12 February 2020

1. Introduction

- 1.1 This report should be read in conjunction with the covering report and sets the cut's options put forward by officers to support the work to deliver a balanced budget in 2021/22. Unless further Government support is forthcoming as part of the Spending Review and Finance Settlement the Council is facing a potential budget gap of £105m in 2021/22 which will be ongoing into future years. Therefore, the report also sets out in less detail further cuts which the Council is seeking to avoid but may have to consider if any further funding to support the Council is not forthcoming.
- 1.2 In order to plan effectively to deliver a balanced budget all Directorates are developing cuts options, totalling a combined c£50m, where work needs to start as part of the process to achieve a balanced budget for 2021/22. The options have been developed alongside Heads of Service and 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 officer cuts totalling **c. £2.314m**. This would require a reduction of **c22** full time equivalent (FTE) posts. Due to lead in time around required investment investments and timing on 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 options identified that are under the **remit of this Committee total £0.733m and requires a reduction of 11fte's**, further details on these options are included in section 4 of this report.
- 1.5 As part of identifying the cuts options 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 £63m, and a net budget of c.£9.1m, 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 Posts (FTE) £'000
Operational Property	12,012	8,023	35.8
Facilities Management	14,825	9,866	176
Investment Estate	8,815	(11,997)	28.8
Growth & Development	723	156	2.6

City Centre Growth and Infrastructure	1,065	518	11.9
Housing & Residential Growth	3,859	1,417	34.9
Planning, Building Control & Licensing	7,479	(609)	133.1
Work & Skills	1,857	1,741	25.6
MAES	10,389	0	182
Our Town Hall Project	2,385	0	5.8
Grand Total	63,409	9,115	636.5

3.2 The 2020/21 cash limit budget is c£9.115m And this is net of the £2.368m savings that were approved as part of the 2020/21 budget process.

Current In year forecast Position at August 20 (Period 5)

3.3 As at August 2020 the Directorate is forecasting a net overspend of £5.266m, this includes Covid-19 related pressures of £7.634m, offset by in year mitigation of £2.368m.

3.4 The Covid-19 pressures are made up of a combination of £5.371m reductions in income of £3.343m and increased cost pressures of £2.028m. 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 food response as part of the Community Hub, 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 £2.368m 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 Options

4.1 In response to the identified Council wide budget gap all budgets have been reviewed in order that any savings opportunities are identified and included for consideration by Members. The initial options from Growth and Development identified as part of the wider £50m 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 options that are relevant to this Committee, and these **total £0.733m and include a reduction of 11fte's**.

- 4.2 Whilst a number of areas have currently been identified, it is recognised that these alone may not be sufficient to bridge the overall budget gap and further deeper cuts that will affect both the future growth opportunities and the service offered to residents, businesses and communities across the City may be required.
- 4.4 Further details of the initial officer options are set out in more detail below whilst the table at appendix 1 provides a summary view along with RAG rating.

Initial areas identified

- 4.5 ***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.
- 4.6 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.
- 4.7 ***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.
- 4.8 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.
- 4.9 ***Work and Skills - £150k*** - The Government have recently announced they will provide £100k additional financial support for youth unemployment which will be available to offset existing mainstream budget provision. Given the likely increase in youth unemployment arising from the current economic uncertainty this will not allow resources for any increased support for youth unemployment.
- 4.10 In addition to the above a further **£50k reduction in commissioning** activity in business support & employment support has been identified.
- 4.11 Both the above savings will reduce the level of resources available and would impact on the team's ability to respond to the unemployment crisis and contribute to Manchester's economic recovery. It would 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. Further Considerations

- 5.1 As set out in the covering report, the Council is working hard to determine what the future shape of the Council will be which will set the framework for further budget cuts required in the future. However due to the severity of the budget position further cuts may need to be enacted quickly if further funding is not forthcoming in the Finance Settlement. These are not cuts that are being recommended at this stage and the Council is working hard to avoid these but the high level thoughts on potential options which would need to come back to scrutiny are set out below
- 5.2 The Growth and Development directorate potential options for a further **£2m with an additional reduction of 30FTE** have been identified for further development. It is recognised that if this were required there will be an unavoidable impact on the service offer to residents, businesses and communities.
- 5.3 The specific options under the remit of this Committee would deliver c£1.1m deeper cuts which would require service redesigns across a number of areas in order to support the reduction in 30fte's, which would significantly reduce the available capacity to support ongoing activity.

6. Workforce Implications

- 6.1 The City Council is seeking to avoid compulsory redundancies, and the workforce implications related to the initial options included in this report require a reduction of c.11fte's of which all posts are currently vacant.
- 6.2 As part of the Council requirements to reduce the existing workforce, the council will open a limited targeted voluntary redundancy/voluntary early retirement scheme to support services which are aiming to achieve staffing reductions, but on a limited basis for a time limited period or in other areas where there are savings or changes that need to be achieved. Details of this scheme will be reported to the Personnel Committee on 11 November.
- 6.3 The Government has passed regulations which implement a public sector exit pay cap of £95k from 4th November 2020. This means that anyone leaving with a severance package, which includes redundancy pay and actuarial strain on pension that amount to over £95k combined, will have it reduced to that cap. The regulations are not yet in place and this will add further complexity to the scheme.
- 6.4 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.

7. Equalities

- 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 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.

- 7.2 Each of the proposals outlined, if taken forward, will need to consider the requirement and completion of an Equality Impact Assessment. The outcome of which will inform the future planning and delivery to ensure that no residents are disproportionately affected by the changes to services.

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 Clearly the Council is facing a period of significant change and it is important that there are sufficient resources to respond to the change going forward. Currently the budget gap is c£105m and increasing in future years so it is imperative that budget savings options are identified that can contribute towards bridging the gap. The future council work is ongoing, and this will set out what is required going forward what sort of Council we want to be in the longer term. This should also provide the framework for future budget decisions.
- 10.2 The budget proposals within this report will be subject to further refinement following feedback from the Scrutiny Committee and updated prior to being submitted to the Executive. A further report will be brought back to January Scrutiny that incorporates the feedback from this meeting, the budget consultation and the impact of the Finance Settlement.

Appendix 1- Summary Review

Service	Description of Saving	Type of Saving	RAG Deliverability	RAG Impact	Amount of Saving			FTE's
					21/22 £'000	22/23 £'000	Total £'000	
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