

REPORT FOR DECISION



DECISION OF:	The Cabinet
DATE:	20th February 2019
SUBJECT:	Growth and Infrastructure Directorate Budget 2019/20
REPORT FROM:	Cllr Rishi Shori – Leader of the Council and Portfolio Holder for Growth and Regeneration
CONTACT OFFICER:	Paul Patterson, Executive Director Growth and Infrastructure
TYPE OF DECISION:	CABINET
FREEDOM OF INFORMATION/STATUS:	This paper is within the public domain.
SUMMARY:	<p>This report forms part of a suite of reports to support the Council in setting a budget for 2019/20.</p> <p>The report explains the progress made by the Growth and Infrastructure Directorate in delivery of budget savings for 2017/18 and 2018/19 – the first 2 years of the Council’s current 3 year budget.</p> <p>The report also sets out the proposals for savings for 2019/20 – the final year of the 3 year budget.</p> <p>These changes are included in the overall budget report which appears elsewhere on this agenda.</p>
OPTIONS & RECOMMENDED OPTION	That the proposals for changes to the Growth and Infrastructure Directorate budget for 2019/20 be approved.
IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Health and Safety	Proposals will be implemented in line with health and Safety guidance.

<p>Statement by the S151 Officer: Financial Implications and Risk Considerations</p>	<p>The proposed savings represent the final year (2019/20) of the 3 year budget programme. Delivery is essential to ensure a balanced budget position for the council.</p>
<p>Equality/Diversity implications:</p>	<p>In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning. In respect individual decisions, the overall budget is only at formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analysis, including consideration of the mitigating steps and alternatives.</p>
<p>Considered by Monitoring Officer:</p>	<p>In summary, the Council is required to set a council tax and balanced budget on recommendation from Cabinet. The Cabinet have full authority to implement the budget within the budget framework set by Council and they have wide discretion in doing so. Whilst the overall budget sets individual budgets and plans for service areas, these are formative only at this stage. Full and final decisions will be made by the Cabinet (or officers under delegated powers) during the forthcoming year, at which point full and separate consideration to the Council's duties, including but not limited to, equalities and public consultation, will be considered and finalised.</p> <p>In respect of the Council's equalities duties, these apply to consideration of the allocation of budget and service planning but as stated, in respect of individual decisions, the overall budget is only at a formative stage. Once full and final decisions are taken, the Council will comply with its full duties via the completion and consideration of the appropriate analyses, including consideration of mitigating steps and alternatives.</p> <p>In setting the proposed budget, due regard has to be given to relevant considerations including equality, human rights, proportionality, reasonableness, the need to deliver statutory obligations, legitimate expectation and the Council's priorities.</p> <p>The Council is required to have due regard to the need to eliminate discrimination and promote equality. The Council has a robust system for assessing the equality impact of proposed changes to policies, procedures and practices and this will be applied to any decisions which result from the need to make</p>

	<p>savings. This will include decisions such as reorganisations and relocation of service delivery and service transformation or reduction.</p> <p>The Council will ensure that the decisions flowing from this budget are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community and its workforce. This will take place in detail in each of the specific programmes set up to deliver the savings.</p> <p>The Council will also have to have due regard to the potential for any cumulative impact on some groups from separate work streams arising from the budget. Sufficient flexibility and delegation will be built into each programme that arises from this budget to ensure that any detailed equality impact that identifies a need to make adjustments to remove barriers identified or to better promote equality, can be implemented.</p>
Wards Affected:	All
Scrutiny Interest:	Overview and Scrutiny.

TRACKING/PROCESS

DIRECTOR:

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
	20/2/19		
Scrutiny Committee	Committee	Council	

1.0 BACKGROUND

The Council’s budget for 2017-20 includes proposals for budget reduction in the Directorate. This report explains progress in delivering those savings and sets out proposals for the final year of the 3 year budget.

The budget proposals are designed to support or have the least negative impact on the Directorate delivering the Council’s objectives.

This is a newly formed Directorate formally established in December 2018. It commenced with bringing together functions from Communities and Wellbeing

and Resource and Regulation functions more aligned to growth, to shift towards Council investment activity.

This report should be read as the start of the Councils move into growth in recognising Local Government new operating environments. An operating environment that requires Councils to intervene in placemaking to stimulate economic growth and wealth creation. It's recognising the Council and Directorate will need to operate more commercially. It will be led by a major transformation programme and organisational development taking place in 2019, next to commencing delivery of key projects stated in this report.

The report should be read alongside the four other Directorate reports and the overall corporate budget report.

2.0 THE GROWTH AND INFRASTRUCTURE DIRECTORATE

The Directorate budget is summarised below;

Business, Growth & Infrastructure	2018/19 Budget £'000
Staffing	4,398
Other	7,645
Gross Expenditure	12,043
Income	(15,827)
Net Expenditure	(3,784)

Workforce

The staff within the Directorate are employed as follows;

Urban Renewal	13
Property & Asset Management	31
Architects	30
Building Control	12
Development Management	13
SPED	17
Total	116

Growth Plan

In 2018 the Council published its Growth Plan. This led to the development of an initial commercially led private sector strategic business plan. It details delivery plans in strategic terms on key growth priorities centred on placemaking, as an interventionist enabling and facilitating economic growth.

This strategy will be developed further in 2019/20, to inform an inclusive approach to economic growth across Bury. This will unfold how the growth strategy will interface placemaking with people, life chances from educational to strategic economic and industrial strategy growth. It will be a centre piece to a pathway of sustainable economic prosperity, and close working with the Greater Manchester Authority and key business stakeholders.

Strategic response

In initiating growth and moving towards a commercial business-like approach the Directorate has set out its strategic enabling and approach to delivery of placemaking growth.

Therefore, the strategic response takes three forms to support growth and the future sustainability of the Council:

- The Growth Directorate task is to intervene in placemaking that stimulates economic growth and abstracts value to drive:
 - invest to save and invest to earn investment activity
- Adopt Council service transformation to manage budget reduction targets and create the skill capability to deliver growth, maturing over the next 5 years
- Operate in the form of a master developer to lever value to deliver invest to save and invest to earn financial outcomes

In achieving these strategic aims the Directorate will adopt a more commercial approach to service delivery. The set of values are based on commercial acumen, will evolve working with the appointed Executive Director for Transformation, as part of the Councils organisational and culture design.

Values

- Open and accountable working.
- A willingness to challenge and innovate.
- Growth that delivers life style choices in our towns & urban centres while creating employment, wealth and wellbeing places for the people of Bury.
- Adopt commercial acumen practices
- Leadership evolving empowerment
- A focus on a solution based Council as an enabler and facilitator
- Partnership at the heart of working practices
- Fleet of foot procurement practices
- Financial robustness and risk underwriting at the heart of commercial acumen
- Create growth to deliver the Manifesto 2018 -2022

Functionality

The newly formed Directorate is evolving and comprises of services that enables and supports growth of Bury's economy, place, wellbeing and housing provision.

The Directorate services includes:

- Economic regeneration of town centres and industrial provision
- Wellbeing placemaking and Housing supply including the strategic direction of the Council's Six Town Housing Company

It includes Council core services providing:

- Planning and building control services
- Urban renewal
- Local business enterprise support
- Architectural and Estates services
- Urban planning and infrastructure development policy setting

In 2019, new functions will be established as part of the transformation programme. This will be to enable growth and provide the Council with the capability and expertise in:

- Housing and wellbeing
- Regeneration and capital growth
- Investment and funding management
- Strategic land and development planning

These growth and enabling core services empower the Council to meet its statutory obligations associated with:

- Local planning guidance and planning application submissions, including setting local planning guidance documentation
- Housing policy setting and supporting Bury's housing needs
- Building control statutory obligations ensuring structural integrity of building structures

3.0 CONTRIBUTION TO COUNCIL PRIORITIES

The Growth and Infrastructure Directorate takes charge of the Council's ambitions for Growth and sourcing new income streams to enable the council in the future, become less reliant on central Government income.

This includes delivery of the Council's priorities linked to Bury means business, safe and affordable housing interlinked with the contribution detailed.

Its purpose is to operate as an interventionist targeting economic growth through placemaking and economic engagement with the private sector, Greater Manchester Authority and key Government Stakeholders.

There are key growth priorities for Bury that are linked to GMSF; the need for a new housing strategy including development of brownfield sites; affordable housing for young people attracted to Bury and specialist housing for older people; the Northern Gateway and other key industrial and commercial sites

and the development of the six town centres.

The Council is working with the Greater Manchester Authority and has targeted a series of key placemaking regeneration and housing investment projects. These are aimed at generating future income over the next 5 years. Linked to engineering new business rates and council tax income. These are:

- Prestwich – major regeneration of the town centre under the GM Mayoral Town Centre Challenge.
- Bury Town Centre master planning and redevelopment of the Interchange in partnership with TfGM.
- Knowsley place incubator live work/possible Bolton University site and Town Hall redevelopment.
- Radcliffe Paper mill new housing development in partnership with Homes England, accelerating housing delivery.
- Mater planning of Bury Town Centre interchange inclusive of Police Station/Fire Station sites of mixed-use developments.
- Packaging Council brownfield land supply to kick start a Council house building programme 200 -300 new homes on brownfield sites in 2019.
- Radcliffe regeneration targeting housing growth as a catalyst for town centre regeneration.
- Northern Gateway – preparing the master planning for infrastructure and negotiation with developer partnerships, to position the Council as a major strategic developer partner; inclusive partnership working with TFGM.

It includes working to ensure Bury is the place for business developing its inclusive growth focused on the people and business side of placemaking. This is linked to educational development, business growth, new industries and wealth creation through partnership engagement.

4.0 THREE YEAR BUDGET 2017-20

The original 3 year savings plan included a total of £2.075m savings to be achieved between 2017/18 -2019/20 broken down as illustrated in the table.

Specific Theme	Ref	Original Budget Consultation Theme	Proposal	Total Saving Target	2017/18 Target	2018/19 Target	2019/20 Target
					£'000	£'000	£'000
Localities	RR21	Collaborative Working	Shared Building Control Service - GM wide / cluster	50	50	0	0
Property & Asset Management	RR22	Facilities Management	Consolidate facilities management resources to create a more coherent and efficient service	150	50	100	0
Property & Asset Management	RR23	Treasury Management	Property Investment Strategy	600	200	200	200
Administrative Buildings	RR33	Rationalisation of Council Property	Rationalise estate further - focus on Town Hall & 3KP footprint	500	0	250	250

Administrative Buildings	RR34	Facilities Management	Consolidate facilities management resources to create a more coherent and efficient service	150	50	100	0
Architects	RR35	Facilities Management	Consolidate facilities management resources to create a more coherent and efficient service	300	100	100	100
Architects	RR36	Collaborative Working	Joint working - Project Management with Capital / Technical team of Six Town Housing	150	50	100	0
Urban Renewal	CWB14	Operational Structure	Asylum, complex dependency and housing amalgamate; review staffing structures for all housing related services including Urban Renewal. Maximise use of external funding to support delivery	175	0	100	75
Totals				2,075	500	950	625

Delivery to date over the period of the three year budget is summarised in the table below.

Incorporated into the budget is a one-off Support of (1,435) from reserves, for the period 2019/20.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Budget Target	500	950	625	2,075
b/f	0	250	1,148	
	500	1,200	1,773	
Delivered	(250)	(52)		
c/f	250	1,148		
One-off support in 2019/20			(1,435)	
Delivery target for year			338	

Savings not being delivered - For Period 2019/20

Savings totalling **£937k** will be delayed in the period of the three year budget, as illustrated in the table. This is related to FM, urban renewal and office accommodation in the table.

FM Review	550	There is currently work ongoing to consolidate the disparate nature of the Facilities Management service with a view to releasing efficiencies of scale in creating a single leadership which will lever negotiations around the significant utility, repairs and maintenance, and general costs for buildings.
Urban Renewal Restructure	175	Pending implementation of housing review
Office Accommodation	212	A further £0.212m savings due to rationalisation of administration buildings is expected as work is ongoing to reduce the number of buildings currently occupied.
	937	

Savings not delivered - For Period 2020/23

In the period for 2020/23 **£498k** will not be achieved at all, related to review of architects and investment properties.

The turnaround strategies for both these savings are further detailed.

Review of Architects	150	Delayed pending review of architects
Investment Properties	348	Rental income from the Council's commercial property portfolio that are not sustainable against predicated market rates.
	498	

The turnaround strategy

The Directorate has put in place a stringent turnaround strategy. This we be performance managed through a designated Directorate working group, working from a concise delivery project plan. It will be monitored on a fortnightly basis to ensure plans are meeting targets set for savings to be achieved as illustrated in the above table.

This turnaround strategy will need to be delivered through significant key transformational programmes linked to Council services and growth ambitions. This is outlined in section 5.3 and sub heading under pressures facing the Directorate. In summary these will be delivered:

- **FM delivery savings** – Sat within architects and estates teams this will be instigated across all directorates as a corporate review of all FM functions within the Council. Moving it to a single leadership charged with securing innovation and efficiency saving to reduce the Council annual budget.
- **Office accommodation/rationalisation** - A project team will be set up with external expertise brought in to drive the office moves and coordinate across Children’s and Finance teams, to achieve the budget savings.
- **Urban Renewal Restructure** – Work is underway following the Savills review of Six Town Housing. This will see the team moving into Six Town targeted at this resource cost being reviewed, with Six Town management income efficiencies.

The table shows the budget savings targeted within the 2019/20 of £338k, to be manage through the turnaround strategy set out above. The Directorate will also look at ways as it progresses to accelerate and increase the overall budgets savings within the period.

Saving	£’000	Approach
FM Review	50	£50k will be saved in 2019/20 as the FM review commences.
Office Accommodation Review	288	£288k will be delivered in respect of this review within the period of the 3 year budget.
TOTAL FOR DELIVERY 2019/20	338	

In the period leading to 2020/23, of the £498k, work will be undertaken to manifest savings related to the review of architects. This will be conducted as follows:

- **Review of Architects** – A full review of the service provided by architects under way. This strategy is focused on delivering savings through:
 - Retirement and natural wastage resource cost;
 - upskilling to increase capacity and capability to deliver growth as a master developer, along with the estates team.

Pressures

In addition to one-off support for the slippage outlined above of (1,435), corporate resources are to be used to cover historic deficits in the budget in respect of Commercial / Investment Property Income – totalling **£1.281m**. This request has been factored into the Corporate Budget Report.

5.0 BUDGET PROPOSALS 2019/20

5.1 Description of proposals

The Directorate is undertaking major transformational change across all areas of its service provision. The budget pressures and corporate savings table in section 4.0 including the proposed budget, illustrates there is significant transformational change required to meet the budget savings. Transformational along with growth delivery plans will be developed in 2019/20.

This budget proposal is associated with current Council service provision transferred to the newly formed Directorate.

Therefore to deliver growth, the Directorate will need to be funded through the provision of a newly formed investment revenue account. This account is to support the revenue cost of servicing growth activity. It includes support and funding for restructuring and bringing new capability to the Directorate, as it forms a new structures to increase capacity to deliver growth.

5.2 Capital Investment

A capital investment requirement has been identified to support the growth priorities.

The activity supported by this investment is set out below. The purpose of the investment is to enable the Council to take an interventionist approach that drives and incentivises private sector economic growth, alongside Council investment activity. Targeted in wealth creation and increasing the value of Council investment in planning and development of places. The strategic objectives is to increase the Council's income from council rates and council tax, while securing income from activity that delivers invest to save and invest to earn placemaking.

The investment revenue support and capital investment will concentrate in these specific key areas of growth activity and service delivery:

Economic place shaping - and business like culture

- Shifting the Councils culture towards a commercial enabling and facilitation role as a strategic place shaping master developer
- Adoption of a planning and development role -priming places for economic and housing growth, forming strategic delivery partnerships with the private sector
- Shifting culture into a commercial business development approach - not waiting for growth to happen but making it happen through driving innovative solutions in the physical land, place and capital funding options
- Review of the architect's department and estates teams to identity capacity requirements and transformation towards growth and commercial estates management
- Forming while retaining existing income streams in architects and creating resource efficiencies to establish the new Growth Directorate; resourcing for the much needed commercial capability and capacity

Investment capacity - master developer

This is to enable the Council become commercially efficient in income generation by:

- Formulating a development company to masterplan land, develop new build housing, regenerate town centres and prepare its expertise to take a major

development role in the Northern Gateway, through a strategic partnership with contractor developers; to generate council returns

- Establishing a Council investment fund and HRA strategy to provide the capital to develop and create long term income from economic regeneration and enable building of new homes

Council house building

Following the Savills review and to strategically plan for housing growth the objective is to:

- Prepare Six Town Housing for major housing management business growth as the Councils Housing Management Business
- Create the skills to manage mixed tenure housing portfolios, taking a broader neighbourhood management role. This is following the Savills Review coinciding with 50 Council staff plus transferring over to Six Town, to join up the housing operational split between the Council and Six Town
- Develop a HRA investment strategy to support delivery of up to 4,000 new homes ranging from affordable and for middle market sale.

Pressures faced within the Directorate

In addition to budget pressures and corporate savings, the Directorate has a number of significant pressures in delivery financial planning and investment capacity. Solutions will be developed as part of the work being undertaken with corporate financial advisory Grant Thornton, in establishing investment capacity and commercial investment criteria frameworks.

In addition, the Directorate has pressures associated with operational and transformational activity, while recognising the opportunities for growth as illustrated in the summary table.

Growth Threats and Opportunities	
Challenges	opportunities
<ul style="list-style-type: none"> • <i>Insufficient lack of structured investment management to support the Bury growth delivery plan</i> • <i>Significant shortfall in capability and capacity from a continued loss of talent from the council resources</i> • <i>Changing operating model of councils and the need to operate more commercially, further adds to the current shortfall of capability and capacity to operate in the new Local Government Environment</i> • <i>Town centres at risk of decline due to the decline of retail in its townships</i> • <i>No budget for resourcing growth</i> • <i>Lack of commercial housing and regeneration skills which is seeing major schemes such as the former</i> 	<ul style="list-style-type: none"> • The Borough of Bury is strategically well placed to attract investment to support growth by the Council • Significant needs for new homes to be built across the Borough • Northern Gateway provides the opportunity to attract major economic growth and bring high earning job prospects • Council has Six Town Housing were significant growth can be channeled to generate new income • Council can raise capital at low borrowing rates to support growth • New rules on HRA revenue means the council can significantly increase its ambitions to build new

<i>papermill housing site and town centre regeneration making limited progress</i>	affordable homes
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These pressures will be managed and monitored through effective weekly management meetings measured against performance management targets, agreed with service managers.

5.3 Implications for 2020/21

The implications for the Directorate working towards 2020/21, next to the budget reduction programme for the Medium Term Financial Plan (MTFP), will be putting in place effective growth delivery. It will require financial planning to predict income generation from capital investment. This is recognising the Council's pressure on sustaining balanced revenue budgets into 2020/21, will require robust commercial strategic financial planning and forecasting.

This type of strategic financial planning will see the Directorate develop a Profit and Loss 30-Year financial business planning model used in the private sector to robustly manage the Council's capital investment activity and decision making. As set out further in the report the Directorate will recruit commercial expertise in commercial investment and fund management to ensure skills and capability are secured in 2019.

The directorate during the period leading up to 2020/21 will put in place appropriate investment management monitoring as part of Directorate growth activity, measure against such issues as the implication ion market conditions resulting Brexit and town centre changing patterns of economic activity associated with retail sector.

5.5 HRA and funding partners

A critical success factor to growth will be the ring fencing of the HRA borrowing for house building to generate new income streams and build major surpluses in the medium financial term. Failure to adopt this form of strategic financial planning will place a major barrier for the Directorate to succeed in delivering major place making growth. It will also be a major factor in securing a funder partner to enable the council to deliver its growth commitments as outlined in this report.

5.6 Workforce implications

The table illustrates the staff numbers working within the Directorate. As the transformational programme unfolds and organisational design of the Directorate formulates into 2019/20 to deliver growth, staff numbers will fluctuate.

6 Workforce delivery of services and priorities

The new Directorate will introduce new functions in 2019/20 along with transformational programming in core service provision. These include:

Housing Growth and Wellbeing: this function will be enable the Council to build new homes targeting the growth of the Council's ALMO Six Housing, to generate new revenue income, supply new homes across the Borough.

Regeneration and Capital Growth: this is to enable the council to intervene in town centre regeneration preventing further decline in town centres. It includes creating the capacity for the Councils Northern Gateway priorities to create a new industrial centre.

Investment and HRA Fund Management: creating the capacity in the Council to financially plan its investment activity and strategically manage HRA investment linked to housing growth. The objective will be to enable the Council to form new investment partnerships with funders to support the Council's growth priorities.

Strategic land and development planning: enabling the council to forward plan land assembly and estate rationalisation, while introducing a customer led planning service. This is following a recent review of how the service can future growth.

The Directorate existing cores services comprise of the following service areas:

Planning and Building Control Services: provide planning services to private developers and domestic planning applications measured against Government planning policy guidance. This includes infrastructure planning such as new road networks etc. While building control provides a service to ensure construction and alternations of buildings meet the statutory structure integrity and safety standards set by Government.

Urban Renewal: provides housing support services. This ranges from provision for adaptations to existing homes to support people with disabilities, managing and setting standards in the private rented sector, to setting housing need supply across the borough of Bury.

Local Business Enterprise Support: the Council in supporting and driving the local economy undertakes engagement with local business and associated growth to support businesses to flourish in the Bury economy.

Architectural and Estates Services: both these divisions generate income from architectural services delivering extensions to educational establishments to estate services managing the Councils commercial property portfolio and Bury Market. The estates team also manages the Councils office accommodation buildings.

ALMO –Six Town Housing: through a recent review of housing services, the Directorate in 2019 will be strategically leading the Council’s ALMO in support of housing growth. The service will be focused on increasing the neighbourhood housing management services to support growth.

7.0 Investments

The required capital programme investment is described in section 5.2. It details the areas of growth activity the capital investment will support into 2019/20. This programme of capital investment is reported in the capital programme budget report prepared by the Section 151 Officer.

There will be a capital programme investment criteria framework developed in 2019/20 set out a gateway process setting out business cases for each investment being proposed.

8.0 CONCLUSION

The Directorate faces significant challenges in 2019/20. These are centred in meeting budget pressures and corporate savings identified up to 2019/20, and moving the Council into income generating growth.

Any additional target budget savings will have significant impact on the Directorates ability to delivery on growth. This will be from diverting priorities on growth in concentrating limited resources in securing resource reductions to meet any future budget cuts. The significant transformation programme to deliver savings and creates skills and capcicity to delivery growth will need to link to corporate transformational plans associated with legal support and budget management.

The challenges for growth will be putting in place innovation around setting up a development company and securing other forms of capital funding through partnering with the private sector. The proposed company and structures around setting up Joint Venture for each place making growth activity, will enable the council to increase and de-risk its placemaking activity while attracting investment option from other sources.

This report illustrates the limited capcicity of the Council to divert revenue and capital expenditure into growth. It demonstrates the significant importance of ring fencing the HRA revenue account over the next 5 years, to support house building, as means to increase new revenue streams and sustain the Council’s housing stock.

This has been evidenced by the Savills report on the HRA Business Plan modelling results. The report records significant surplus growth would be achieved through investing HRA capacity into building new homes, over the next 5-10 years. This in the medium to long term would increase significant house building and support to the general fund.

The monitoring against the budget proposals, capital and HRA investment will delivered through adoption of commercial financial management practices, to be developed in 2019/20.

List of Background Papers:-

Contact Details:-

[Report Author]