

Manchester City Council

**Competitiveness, Enterprise
and Local Benefit**

July 2001

Best Value Inspection



Best value

The Government has placed a duty of best value on local authorities to deliver services to clear standards – of cost and quality – by the most economic, efficient and effective means available. Best value is a challenging new performance framework that requires authorities to publish annual best value performance plans and review all their services every five years.

Authorities must show that they have applied the 4Cs of best value to every review:

- ◆ **challenging** why and how a service is being provided;
- ◆ **comparing** their performance with others' (including organisations in the private and voluntary sectors);
- ◆ embracing fair **competition** as a means of securing efficient and effective services; and
- ◆ **consulting** with local taxpayers, customers and the wider business community.

Authorities must demonstrate to local people that they are achieving continuous improvement in all of their services. The Government has decided that each authority should be scrutinised by an independent Inspectorate, so that the public will know whether best value is being achieved. The purpose of the inspection and of this report is to:

- ◆ enable the public to see whether best value is being delivered;
- ◆ enable the inspected body to see how well it is doing;
- ◆ enable the Government to see how well its policies are working on the ground;
- ◆ identify failing services where remedial action may be necessary; and
- ◆ identify and disseminate best practice.

The Local Government Act 1999 requires all best value authorities to make arrangements to secure continuous improvement in the way their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. From 1 April 2000, best value authorities must prepare best value performance plans for each financial year and conduct best value reviews for all their functions over a five-year cycle. This report has been prepared by the Audit Commission ('the Commission') following an inspection under S10 of the Local Government Act 1999, and issued in accordance with its duty under S13 of the 1999 Act.

Contents

Best value	2
Contents	4
1 Summary and recommendations	5
Summary	5
2 Profiling: Manchester City Council	10
The locality	10
3 Findings: How good is the service	17
Are the Council's aims clear and challenging?	17
Does the service follow the aims?	18
How does the service compare?	30
4 Findings: Are they going to improve?	32
Does the best value review drive improvement?	32
How good is the improvement plan?	34
Will the authority deliver the improvements?	35
Appendix – What did the inspectors do?	38
Documents examined	38
Reality checks undertaken	40
Interviews conducted	40

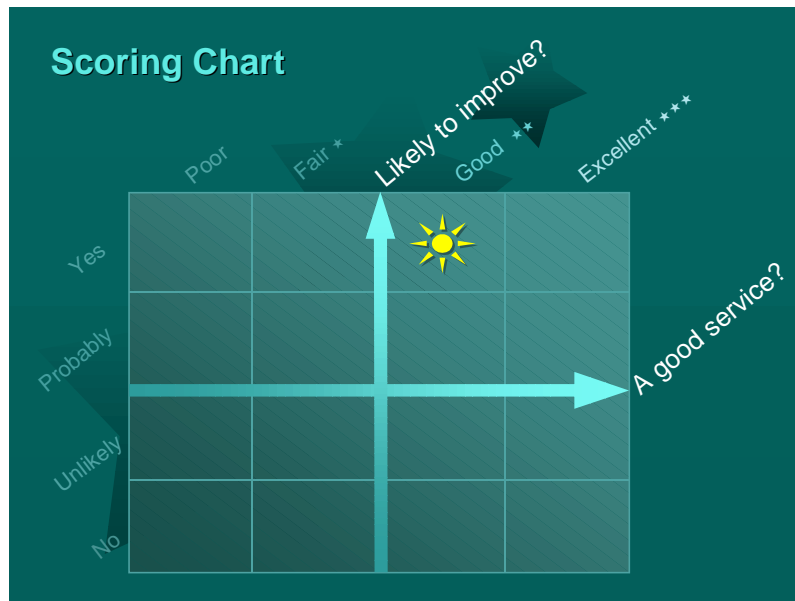
1 Summary and recommendations

Summary

- 1 Manchester is the regional capital of the North West. It is the sixth largest metropolitan district in England with a population of 429,000, of whom 13 per cent are from black and ethnic minority communities.
- 2 Manchester is changing fast. A big programme of renewal has transformed the city. The IRA bomb in 1996 devastated the main shopping area but the city seized the opportunity to redesign the city centre through a public/private partnership. It is to host the Commonwealth Games in 2002. The city acts as a retail centre for the North West with over six million people living within thirty miles and has a large student population (around 60,000) which is one of the largest in Europe.
- 3 This vibrant and growing city centre economy sits alongside high levels of deprivation in the inner city and housing estates. Unemployment rates are high. In January 2001 the unemployment rate was 8.5 per cent compared to the United Kingdom average of 3.7 per cent. Deprivation is high with the City ranked as the fourth most deprived district in the Index of Multiple Deprivation.
- 4 Manchester has a long history of Labour control, which continues today. There are currently 77 Labour and 22 Liberal Democrat Councillors. The Council made early moves to modernise political arrangements in advance of the Government's plans to modernise local government. The Council's net budget is £510 million.
- 5 The review of Competitiveness, Enterprise and Local Benefit consisted of four service areas;
 - ◆ inward investment;
 - ◆ international trade promotion;
 - ◆ local benefits programme; and
 - ◆ assistance to business.

- 6 The Economic Initiatives Group is responsible for managing the Council’s response to Competitiveness, Enterprise and Local Benefit. It employs 29 staff and controls a budget of £812,313. Most direct services however have been outsourced to Manchester Enterprises Ltd a company established in 2000 by the four City Pride Councils (Manchester, Salford, Tameside and Trafford) and other local partners.

Scoring



- 7 The scoring chart displays performance in two dimensions. The horizontal axis shows how good the service or function is now, on a scale ranging from no stars for a service that is poor (at the left-hand end) to three stars for an excellent service (right-hand end). The vertical axis shows the improvement prospects of the service, also on a four-point scale.
- 8 The service is **good** because:
- ◆ it has a clear strategy agreed with the City Pride partnership which is developing ambitious targets to increase investment and drive down unemployment;
 - ◆ it supports businesses by providing grants which meet their needs and helps investors by making it easier for them to work with the Council and its partners;

- ◆ the service is cost effective and is good at making the most of its partnerships and external funding from Europe and the Government; and
- ◆ it uses external funding well to support strategic priorities grasp opportunities such as the Commonwealth Games legacy.

But:

- ◆ tackling crime is the main priority for local businesses but we did not find a coherent approach to the problem from the public agencies in the area;
- ◆ ensuring that local people benefit from economic growth is hampered by the fragmentation of local regeneration programmes; and
- ◆ businesses and partners sometimes find it difficult to deal with other parts of the Council.

9 The service **will** improve because:

- ◆ it has addressed competition in a novel and innovative way by setting up Manchester Enterprises to deliver its strategic aims;
- ◆ it has a clear idea of what Manchester Enterprises and its companies can do and uses its strategic influence effectively;
- ◆ it has started to address the problem of crime against businesses at a strategic level with the main agencies;
- ◆ it has a good improvement plan which is ambitious and practical and is supported by its partners; and
- ◆ the Council has a strong track record in city centre regeneration and has good plans for making its regeneration programmes better at delivering jobs for local people.

Recommendations

10 There are some areas that could be improved and we recommend that the Council adopt the following recommendations.

- ◆ Parts of the Council are not business-friendly. The service should ensure that an account manager is allocated to investors so that the process of land allocation, planning and grant support is made easier and more efficient – this will make it easier for businesses to grow and create jobs.

- ◆ We support the Council intention to move its direct international trade functions to Manchester Enterprises and retain and develop its civic links with China and its other international partners. This will bring advice and guidance together and make it easier for businesses to get what they need from one place.
- ◆ We support the idea of providing a summary of the best value performance plan specifically for businesses. This will enable businesses to see whether the Council is improving its services to businesses and help the Council to target improvements.
- ◆ We support the recent steps taken to tackle crime against business. Crime costs business in a number of ways and the perception of crime is a factor in whether or not a business invests in an area. The Scottish Executive's study [Crime Against Business in Scotland](#) has some useful insights.¹
- ◆ The service should lead the development of a more co-ordinated strategy to ensure that local people benefit from the thriving economy in parts of the city (especially by getting jobs in the growing businesses). This should be linked to the plans for better integrating the regeneration programme so that public money is more effectively targeted to creating jobs for local people.
- ◆ Partners should ensure that intelligence on businesses is shared more effectively through the client management system. This will allow businesses to benefit from a more joined-up and consistent support from the business support agencies and make it easier for them to get the help they need to invest and create jobs.

¹ Crime against business in Scotland, Scottish Executive Central Research Unit, 2001

We would like to thank the staff of Manchester City Council particularly those in the Economic Initiatives Group who met our requests efficiently and courteously.

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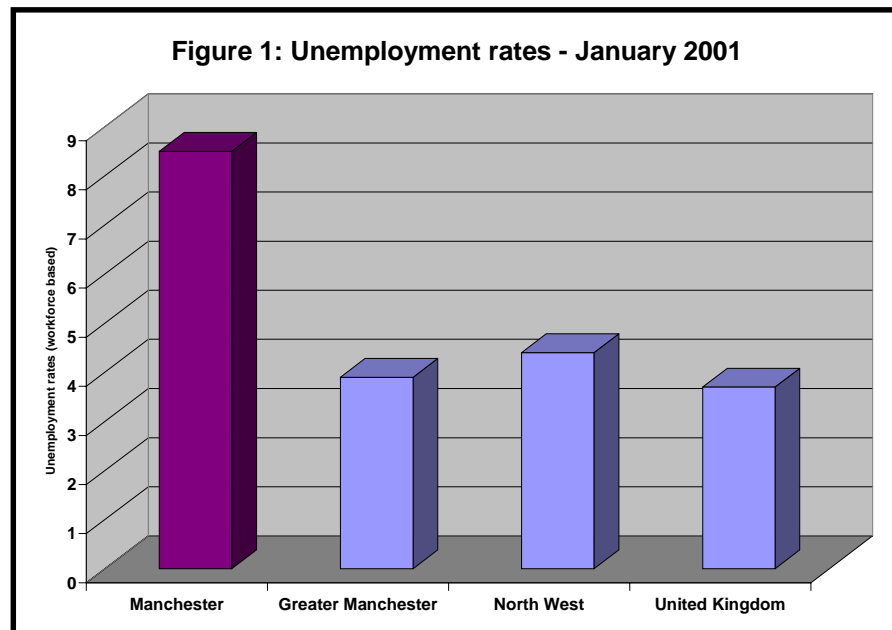
2 Profiling: Manchester City Council

The locality

- 11 Manchester is the regional capital of the North West. It is the sixth largest metropolitan district in England with a population of 429,000, of whom 13 per cent are from black and ethnic minority communities (compared to the national average of 6.5 per cent). The City Council covers a narrow strip of Greater Manchester, which at 115 square kilometres represents just 9 per cent of the total area of the conurbation.



- 12 Manchester is changing fast. A big programme of renewal has transformed the city. The IRA bomb in 1996 devastated the main shopping area but the city seized the opportunity to redesign the city centre through a public/private partnership. Over 6,000 people live in the city centre compared to just 600 in 1989. It is to host the Commonwealth Games in 2002 and a number of sports facilities are being built adding impetus to the transformation of east Manchester.



- 13 It has a number of advantages including a busy and growing international airport and a cultural scene based around Bridgewater Hall, clubs and its gay village. The city acts as a retail centre for the North West with over six million people living within thirty miles. It has a large student population (around 60,000) which is one of the largest in Europe and acts as a spur to innovation in cultural and scientific enterprises. As a result of these factors entrepreneurship is high with 45 business starts per 10,000 population. This is higher than the UK average (42) and higher than any city outside the south.

- 14 This vibrant and growing city centre economy sits alongside high levels of deprivation in the inner city and housing estates. Unemployment rates are high. In January 2001 the unemployment rate was 8.5 per cent compared to the United Kingdom average of 3.7 per cent.² This overall figure masks even higher levels of unemployment at a ward level particularly in Hulme where rates exceed 20 per cent.
- 15 The economic activity rate of 66.3 per cent is much lower than the regional average of 76 per cent which shows that as well as high levels of unemployment there are also a lot of people who are outside the formal labour market.
- 16 Deprivation is high with the City ranked as the fourth most deprived district in the Index of Multiple Deprivation. Almost 80 per cent of the city's residents live in wards that are classified as the 10 per cent most deprived in England.
- 17 As a result of this the city is eligible for a range of regeneration funding. It has a number of regeneration programmes from City Challenge in Hulme, through numerous Single Regeneration Budget funded schemes to the recent New East Manchester regeneration programme, which uses New Deal for Communities funding. Most of the area has European Objective 2 funding and has been allocated £46 million under the Neighbourhood Renewal Fund, the second largest allocation after Birmingham.

Manchester City Council

- 18 Manchester has a long history of Labour control, which continues today. There are currently 77 Labour and 22 Liberal Democrat Councillors. The Council made early moves to modernise political arrangements in advance of the Government's plans to modernise local government. Today the Council has an executive committee consisting of the leader, two deputy leaders and seven councillors each responsible for a portfolio of services (for example; culture and leisure, education, and planning and transport).
- 19 The Council employs 27,000 staff and is structured into seven Directorates reporting to the chief executive. Each strategic director has a remit to provide strategic direction to specific services and to ensure integration across all services.

² Monthly Unemployment Bulletin, Greater Manchester Research, January 2001

20 The aim of the City Council is to be:

“A city of national and international significance where people choose to live and which companies want to invest”.

21 This is underpinned by the following objectives;

- ◆ improve education results;
- ◆ reduce crime and disorder;
- ◆ develop efficient transportation;
- ◆ provide best value services;
- ◆ increase the numbers of people living in the City;
- ◆ create jobs for local people;
- ◆ improve local people’s health;
- ◆ improve the local environment; and
- ◆ create opportunities for arts, sport and culture.

22 The Local Government Improvement Programme Report describes Manchester as *“a proud city now being led by a proud confident council, which is committed to improving its performance in all areas and which already has considerable achievements to its credit”*.³ The report comments further that *“the council leadership has a clear vision of what it wants to achieve and has embarked on an impressive agenda of change”*. We found clear evidence that in promoting Competitiveness, Enterprise and Local Benefit the Council has a strong strategic vision which it is pursuing rigorously through its partnerships.

23 The Council’s net budget is £510 million. This is increased by earned income, Government grants and contributions to a total spend of almost £1 billion (excluding Housing Revenue Account). Grants amount to £30 million, including just over £10 million from the Neighbourhood Renewal Fund.

³ Visit to Manchester City Council 3-7 July 2000, Local Government Improvement Programme

The best value review of competitiveness, enterprise and local benefit

- 24 The review of competitiveness, enterprise and local benefit consisted of four service areas;
- ◆ inward investment;
 - ◆ international trade promotion;
 - ◆ local benefits programme; and
 - ◆ assistance to business.
- 25 The Council's Economic Initiatives Group manages the response to competitiveness, enterprise and local benefit. The group employs 29 staff and controls a budget of £812,313. In addition the group manages external funds totalling £10.3 million from the European structural funds and the Single Regeneration Budget.
- 26 Most direct services however have been outsourced the majority to Manchester Enterprises Ltd a company limited by guarantee. Manchester Enterprises was established in 2000 by the four City Pride Councils (Manchester, Salford, Tameside and Trafford), Manchester Training and Enterprise Council, Manchester Chamber of Commerce and Industry, and MIDAS (the City Pride inward investment agency). Stockport is included within the Small Business Service franchise. Discussions are taking place to engage Stockport more closely in a range of other activity.
- 27 Manchester Enterprise Ltd brings together a number of operating companies, which are described overleaf.

Company	Purpose
Chamber Business Enterprises Ltd	Provides advice and guidance to businesses under the Business Link brand.
Employment and Regeneration Partnership Ltd	<p>Develops and delivers employment initiatives supporting unemployed people through the New Deal and other schemes and delivering training and recruitment services for disadvantaged people.</p> <p>The company also has a business unit called Skills Solution which delivers training for young people and employees.</p>
Manchester City Pride Education Business Partnership (EBP)	Brings together the work of the existing EBPs in Manchester and Trafford.
Manchester Inward Investment and Development Agency Services (MIDAS)	The City Pride inward investment company which markets the area to investors and provides them with support and advice.
The Careers Partnership	Includes the work previously carried out by the careers service and the TEC's pre-vocational training for young people.



- 28 Manchester Enterprises Ltd is a novel, and possibly unique, way of tackling the barriers to business growth and employment. It is bedding down and the Council is still carrying out functions for which it was historically responsible but which may now be better delivered through one of the operating companies. The table set out below shows the current split of functions against the services which were reviewed.

Service	Council	Partner	Outcome
Assistance to business	£669,000 2.1 staff	£675,000 5 staff Chamber Business Enterprise	Job creation and safeguarding of employment
Inward investment	£47,000 4 p/t staff	£1.5 million 17 staff Manchester Investment and Development Agency Service	Job creation and safeguarding of employment Attracts inward investment
International trade promotion	£60,000 4.6 staff	£1.4 million 24 staff Chamber Business Enterprise	Development of International trade and increase export trade
Local benefit	five staff	£9.5 million 80 staff Employment and Regeneration Partnership	Provision of training and vacancy matching
Total	£776,000 10.7 staff	£13,075,000 46 staff	

3 Findings: How good is the service

Are the Council's aims clear and challenging?

- 29 Inspectors look to see how a council has agreed the key aims for the service being inspected, how clear these aims are to the people that receive the service and whether these reflect the corporate aims of the organisation as a whole.

City Pride – Economic Strategy

- 30 The City Pride Partnership (a strategic partnership of the Councils in Manchester, Salford, Tameside and Trafford) was formed in 1994. It has recently drawn-up a strategy setting out a ten year vision and framework for the area:

By the year 2005 Manchester and neighbouring areas of Salford, Tameside, and Trafford will be unchallenged as:

- ◆ *a European regional capital , a centre for investment growth not regional aid;*
- ◆ *an International City of outstanding commercial, cultural and creative potential;*
- ◆ *an area distinguished by the quality of life enjoyed by its residents, and by a high percentage of those residents which are enabled (socially and economically) to enjoy this lifestyle; and*
- ◆ *an area where all residents have the opportunity to participate in, and benefit from, the investment and development of their City and therefore live in truly sustainable communities.*

This vision is reflected in the economic development plan for the City Pride areas which has six 'drivers', themes that will be integrated to achieve the aims set out above, they are:

- ◆ **building better businesses;**
- ◆ **attracting and sustaining investors;**
- ◆ creating a world class workforce;
- ◆ **delivering local economic benefit;**

- ◆ ensuring the best transition to working life for all our young people; and
 - ◆ developing our physical infrastructure to drive economic improvement.
- 31 The drivers that are most relevant to this review are marked in **bold**. At present there are no outcome targets that have been set (for example a target to reduce unemployment by a certain date) but the partnership is developing targets which are linked closely to the main priorities.
- 32 In conclusion, our view is that the aims of the economic development service are clear, challenging and shared by all the key agencies in the area. The clarity made it easy to make an assessment of how well the service was delivering against these aims. This is discussed in the next section.

Does the service follow the aims?

- 33 Having considered the aims the Council has set for the service, inspectors make an assessment of how well the Council is performing in meeting these aims. This includes an assessment of performance against specific standards and targets and the Council's approach to measuring whether it is actually delivering what it sets out to do.

Building better businesses

- 34 We looked at three ways in which the service helps businesses in the area, they are:
- ◆ support for business growth (such as grants to help businesses to start and expand);
 - ◆ protecting businesses from crime; and
 - ◆ promoting international trade.

Support for business growth

- 35 The service provides grants to local business for the following activities:
- ◆ property-related grants to assist the expansion and refurbishment of buildings, the relocation of businesses, and provide help with rent payments;
 - ◆ business expansion; and

- ◆ smaller grants to lever loan finance for start-up and/or young growing businesses.
- 36 The service administers the grant package. When business is interested in funding an officer from the Council arranges a meeting to discuss their requirements, evaluates their business case and if appropriate gives the business an application form to fill out. The form also sets out clearly the criteria that will be used for assessing the application and an indication of how long the application will take to process.
- 37 After the completed form is received by the Council it is considered by an 'expert panel' comprising officers of the Council with expertise in legal, building, engineering and financial matters. The head of the service makes the final decision but councillors receive an annual report on the scheme. The grant is paid in arrears when the service receives invoices from the business as proof of payment. The grant package is largely funded through external sources such as the Single Regeneration Budget and the European Regional Development Fund.
- 38 We found that the service had achieved good results through its grants programme which is reasonably cost-effective in relation to the cost-per-job achieved.

	1999/2000	1997-1999
Total number of schemes approved	81	44
Total grant expenditure (£)	669,573	621,000
Private sector leverage (£)	1,328,169	1,117,869
Ratio of public to private investment	£1:£1.98	£1:£1.80
Anticipated jobs safeguarded/secured	525	1,038
Actual jobs safeguarded/secured	Not yet available	1,107
Cost per job	£1,275	£561
Jobs created filled by residents in the more deprived areas	Not yet available	331

- 39 We asked a number of businesses that had received grants for their views. In general they were satisfied with the service. We were told that the grant process was *“easy and smooth”* and staff were *“very helpful”*. All the businesses we asked said that the grant had helped their business to grow and take on more staff.
- 40 There were also some criticisms. Some businesses told us that there were delays in receiving the grant with one business waiting almost a year to receive the grant. There is a high demand for grants from businesses, which can lead to the money running out before the end of the financial year.
- 41 The owner of a high technology business told us that the Council gave him a rent grant and he was offered a further grant to fund expansion. However after filling out the application he was told that the funds were no longer available. The business had grown from one to nineteen employees in one year and future growth was likely. He told us that the Council was *“good at attracting me, not so good at supporting me”*.
- 42 We found that the grants package had many good points, was in high demand, and was generally felt to be flexible and not overly bureaucratic. But there are areas for improvement.
- ◆ There is no link to the Manchester Enterprises client management system (their database of businesses and contact information). This will allow businesses to benefit from a more joined-up and consistent support from the business support agencies.
 - ◆ Grants are targeted on the regeneration areas but there is no explicit targeting on high growth clusters (such as those involved in biotechnology). Essentially the principle adopted is first come, first served. This has advantages but it can result in high growth firms (particularly those linked to the university) being unable to get grant aid.
 - ◆ The service records the number of people employed by the grant-supported businesses which is good practice but there is no explicit analysis of which businesses generate the best job opportunities for local people.
 - ◆ Council employees currently do grant appraisal. This helps to ensure probity in the use of public funds but the assessment panel should include a business advisor from either Chamber Business Enterprises or the Manchester Business Consortium. This would bring better knowledge of small business needs and help to share information between the agencies.

- 43 The service has employed consultants to examine the provision of business grants by the Council and make recommendations for the future. We support this decision which will help the service to better plan its support to business especially in the light of further changes in the European and Government grant regimes.
- 44 The Council also helps businesses based in the area to expand. The Council owns a relatively high proportion of land in the city and many businesses seeking to expand or relocate often approach the Council to buy or lease land. They also come into contact with the Council when they apply for planning permission, are subject to pollution control or environmental health regulation or in a number of different ways. Businesses are generally satisfied with the Council.
- 45 We found that businesses that made early contact with the service were satisfied with the service they received. But businesses that approached some other parts of the Council were less satisfied with the service.

Business support – case study 1

We met with the Managing Director of a warehouse and retail company who had outgrown his premises and wished to develop new premises within a four mile radius of his current premises. The total investment in the project was £7 million. The location was within Manchester City Council area and was important as the company wanted to retain their current workforce. He also planned to increase the number employed from 120 to 150. The resiting took four years to complete as it involved a complicated compulsory purchase order and detailed planning approval for security fencing. The company would have accepted this time scale better if the process had been explained to them at the beginning, but on a number of occasions delays of three month took place between a request and the response. The City Council supported the company with grants for temporary accommodation, security fencing and development. There was an undertaking made by the company to provide new employment opportunities.

The Managing Director was justifiably unhappy with the four year time scale for the move. He described the City Council as “a rudderless ship”, and “worse than amateur”. It wasn’t until complaints were made at a senior level that a named contact from the Economic Initiatives Group was given responsibility for the project that progress was co-ordinated and results forthcoming.

He commented that; “ *there are far too many agencies*” and “*businessmen have not got a clue which agency is responsible*”, when referring to the number of organisations who are involved in a business move. The company had dealt with MIDAS, North Manchester Regeneration Partnership and numerous departments in the City Council.

Business support – case study 2

An established business within the city who wanted to expand their business and required new premises with access for large delivery vehicles.

They approached the City Council in October 1998 to ask about available land having spent several months trying to secure land from English Partnerships.

The Council provided them with details of land from the MIDAS computer land register. After considerable negotiations they agreed in Feb 2000 to take the lease of land on Oldham Road. The development includes a warehouse, workshop, show room, offices and residential accommodation. The buildings are built in traditional Chinese materials as these are the products of the business.

The Council facilitated the planning application, a traffic impact assessment as the site required a road closure, and provided the company with £37,000 funding from SRB and ERDF resources. The finance was linked to the site development but given on the condition that 25 new jobs are created and recruitment is co-ordinated via the local regeneration team to ensure benefits for local unemployed.

When we spoke to the Chairman and Chief Executive, he was extremely complimentary about the financial and facilitating support given to him by the city Council; “*they really gave me strong support. Without their help the business could not have been re-located and they were the signpost to all aspects of the development*”. He also complimented the local regeneration partnership, whose local expertise enabled problems to be solved; “*they work hand-in-hand together*”.

- 46 Other people we spoke to broadly confirmed the view that the Economic Initiatives group was good at working with businesses but other parts of the Council were less business friendly.

Protecting businesses from crime

- 47 The best value survey showed that businesses were very concerned about the level of crime. Almost a third of businesses stated that they suffered crime or vandalism every month, and 52 per cent of businesses said that crime and disorder in the city centre had worsened in the last year. Many businesses told us that security was a big problem for them. The City Council is addressing this in a number of ways.
- ◆ Discussions have taken place between officers and councillors and the Chief Constable to discuss the problems.
 - ◆ The Crime and Disorder Strategy group set up Local Area Partnerships to develop an action plan to address issues on a local basis. But, outside the city centre, these partnerships do not always include business representatives and rarely include measures to assist local businesses.
 - ◆ Initiatives with employers to fund closed circuit television (CCTV), and introduce schemes such as Business Watch, Shop Watch and Club Watch.
 - ◆ With European funding the Council gives 100 per cent funding for a security risk assessment and can provide financial support to install security measures in line with the assessments. This is to the value of either 50 per cent of the cheapest quote or a maximum of £2,000.
- 48 These initiatives appear to be worthwhile. We spoke to a number of businesses that had received a security grant from the Council and all agreed that the measures had resulted in a big reduction in crime and vandalism.
- 49 But, business crime is not a priority in the Crime and Disorder strategy for the city.⁴ At a meeting to discuss the problem it was acknowledged that “*crime in the area does have a negative effect on investment*” and the Police accepted their responsibility in “*encouraging inward investment by helping with the perceived levels of crime*”.⁵

⁴ Crime and disorder: a strategy for Manchester, Manchester City Council/Greater Manchester Police, April 1999

⁵ MIDAS meeting with the Chief Constable re: business security, 13 March 2000

- 50 More recently, a discussion on business crime was held with the Council and Greater Manchester Police. It was agreed that business crime should be a key priority in the next Crime and Disorder Reduction Strategy. A task group has also been put together by the service to co-ordinate existing action, develop good practice, provide guidance and help to develop a new strategic approach. This will help to tackle this priority area for local businesses.

Promoting international trade

- 51 We found that the regional and city-wide approach to international trade is being changed and early evidence suggests the new approach is better.
- 52 The North West Development Agency has written a regional international trade strategy which recommended the formation of local international trade partnerships. Chamber Business Enterprises has led the formation of this partnership in the City Pride area. Their preliminary discussions have led to the creation of a leadership group (comprising the Councils, the Chamber of Commerce and Industry, MIDAS, the airport, and others), and the more effective integration of services that support international trade (for example export documentation and trade missions).
- 53 The Council has close links with China through their twinning arrangement with Wuhan (a city built on the banks of the Yangtze River in central China). They have operated regional challenge funded project called China Gateway developed to make the most of the commercial opportunities of this relationship. It is now complete.
- 54 The Council told us that it “*shouldn’t be involved in international trade*”. The new set up under Chamber Business Enterprises is seen as big improvement on previous arrangements and their strategy targets China as a priority area. We support the Council’s intention to review their direct involvement in international trade but retain their civic links.

Attracting and sustaining investors

- 55 Inward investment is a partnership activity and the lead is taken by MIDAS, the inward investment agency of the City Pride partnership. We found that this relationship works well and has delivered good outcomes for the Council and the City Pride partnership.
- 56 MIDAS is a company limited by guarantee with a board of directors drawn from the private sector, four Councils (The Deputy Leader, Councillor Robinson, is Manchester City Council’s representative), and Manchester TEC.

- 57 The Council contributes £138,000 to MIDAS (which has a turnover of £1.4 million). MIDAS has been successful in attracting investors to the area. In 1999/2000 it achieved the following results.

Indicator	Outcome
Enquiries received	679
Companies investing	32
Investment value	£17.6 million
Floorspace occupied	33,234
Jobs created (safeguarded)	1,407 (95)

- 58 In addition to the funding it provides, the service also supports MIDAS activity in a number of other ways. The story of an inward investor is given below and shows how MIDAS and the Council work together.

Inward investment – case study

A business, based in London, making specialised glass wanted to expand in the north or Midlands. They contacted a number of agencies in January 1999 and MIDAS arranged a meeting to discuss their requirements which included premises of 40-50,000 square feet and grant assistance. The business was particularly interested in an industrial unit in Manchester.

MIDAS arranged further discussions with an estate agent and provided the business with a financial assistance proposal which included a customised recruitment and training package. The original premises proved unsuitable for technical reasons and MIDAS shortlisted a number of other sites for the business.

In April the recruitment and training grants were no longer available but the business was still very keen on getting financial assistance. At this stage the Council became involved and told the business that *“they would do whatever they could to help the project run smoothly”*. The Council offered grant aid to increase the amount of funding offered by MIDAS (which also included TEC funding).

The property deal was concluded at the end of 1999 and financial assistance of £170,000 was offered linked to the creation of 120 jobs after three years and a capital investment of £5 million.

We spoke to the business. They said that MIDAS was “*very supportive*” and remained in contact throughout. The *Council “responded well, they were A-OK”*, but they did suggest some improvements such as ensuring that all the key players were round the table at key points in the discussion because sometimes “*we got referred from one post to the next*”.

59 MIDAS have two suggestions to improve the link with the Council:

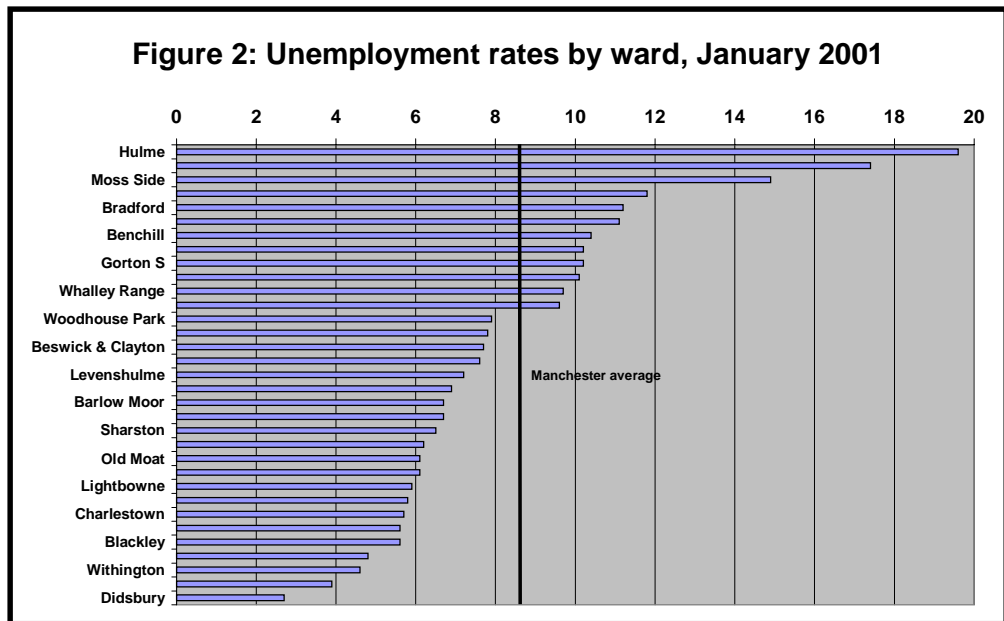
- ◆ a rolling programme of development sites to ensure steady supply for new investors; and
- ◆ a fast, effective and quality support service from other parts of the Council (such as estates, engineering and planning).

60 The second point reinforces our view that the Council should account manage private sector investment projects and we support the suggestion.

Delivering local benefit

61 Many of the people we interviewed said that the main priority was to ensure that the people living in Manchester were able to benefit from the investment that was taking place in the city centre, the airport and as a consequence of the Commonwealth Games. The review put it as an “*overriding motivation ... to achieve more sustainable employment for Manchester residents*”.

62 There are high levels of unemployment in many parts of the city.



- 63 The Council and Manchester Enterprise Ltd attempt to drive down unemployment in a number of ways. We found a good deal of innovation and good practice in getting local people into work but the impact was lessened by the fragmentation of regeneration schemes.
- 64 We looked at three schemes:
- ◆ Manchester Employment in Construction Charter;
 - ◆ the Workshop; and
 - ◆ intermediate labour markets.
- 65 The Employment and Regeneration Partnership Ltd., an operating company of Manchester Enterprises, deliver most employment initiatives. The Council's Economic Initiatives Group manage a Single Regeneration Budget programme called *Employment, Enterprise and Training* which contributes to this aim (through this programme 1,400 people have got jobs over the past seven years). The Council is responsible for the strategic management of area-based regeneration schemes, many of which are geared to getting more local residents into jobs.

Manchester Employment in Construction Charter

- 66 The City Council in partnership with Construction Industry Training Board, Manchester and major construction companies have developed the 'Manchester Employment in Construction Charter'. This seeks to ensure that local people get the jobs that are being created through the upsurge in construction in the city.
- 67 Where the land for a new development is being disposed of by the City Council, efforts are made to secure a Local Labour Scheme as part of the development contract process. The scheme tries to ensure that a minimum of 10 per cent of the workforce on the contract are residents of the city and sub-contractors are also recruited from local companies. The Employment and Regeneration Partnership match on-site vacancies to local residents and provide interview and training opportunities for the workforce.
- 68 By December 2000, 343 people had got jobs as a result of training which exceeds the target of 229 people into jobs. This is a good initiative which helps local people get the jobs created by new developments in the city.

The 'Workshop'

- 69 The City Council have seconded a member of staff to Manchester Enterprises to work as a strategic manager in the Employment and Regeneration Partnership. One of their roles has been to help develop the 'Workshop' a renovated office complex on the edge of the main city centre which was opened in 2000.
- 70 The location was carefully chosen adjacent to the proposed site for the new transport interchange. The City Council provided £90,000 from capital reserves towards the refurbishment of the building which was matched by the Training and Enterprise Council. The initiative was developed following the IRA bomb in 1996. Market research amongst retailers in the City identified business development as a problem as many of the labour force were unskilled and job retention was an issue.

- 71 Within the Workshop are a range of opportunities to help both the local business and individuals in a one-stop-shop approach. These include;
- ◆ springboard; a training provider promoting careers in the hospitality, tourism and leisure industry;
 - ◆ pre-selection training. We observed part of a course that was preparing unemployed people for selection tests and interviews with the Royal Mail;
 - ◆ business Advisors from Chamber Business Enterprise who target leisure and retail businesses;
 - ◆ learn Direct, a place to which people can drop-in and use on-line training facilities; and
 - ◆ the Workshop has access to Employment Service vacancies.
- 72 We were impressed by the enthusiasm and far-sightedness of the Workshop project. It links together local business, local people and matches the opportunities for entry into employment, employee development and job retention.

Intermediate labour markets

- 73 Manchester has been active in developing intermediate labour markets to tackle long-term unemployment. The scheme works by creating 'intermediate' temporary jobs which deliver services and improvements for communities. Unemployed people are then encouraged to apply for these jobs and work for a wage (typically £137 per week). The work lasts for a year and includes training and the aim is to equip people with the skills they need for work.
- 74 The results have been very encouraging.⁶ Just over 40 per cent of ILM employees have found jobs after leaving the scheme and 85 per cent said that they had enjoyed being on the scheme. The wage was important to 97 per cent of those on the scheme. The net cost per job for the scheme is £9,479 which is higher than the average New Deal cost (around £7,000 for the more difficult to place trainees) but reflects the difficult nature of the trainee group.

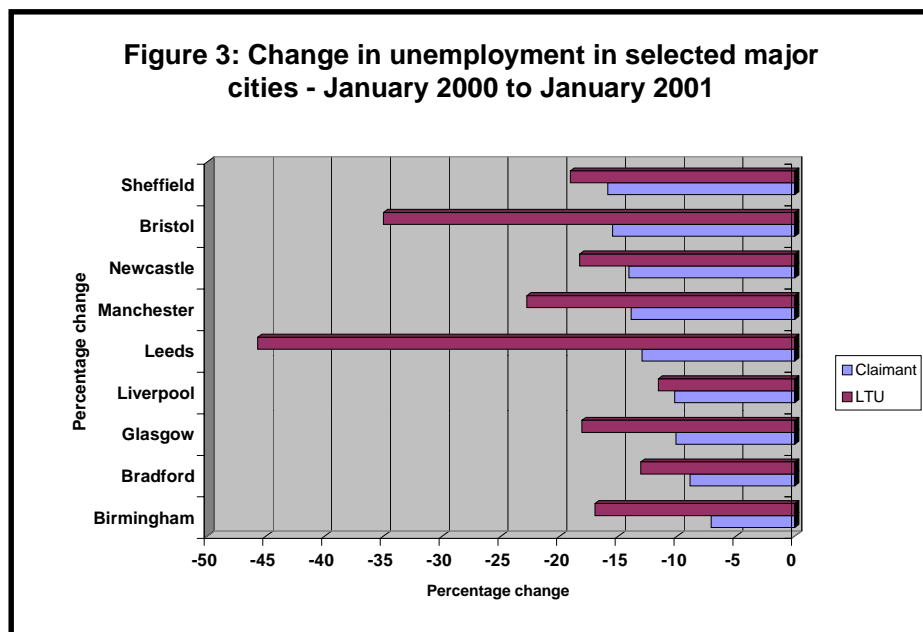
⁶ Improving the New Deal: community and environmental employment across City Pride, ERP, November 2000

Conclusion

- 75 There are a number of good initiatives in the city which help to generate local benefit. But we found that they were fragmented or as one partner described it the “*sum of parts [are] not always fit for purpose*”. There was little evidence that the lessons from the successful programmes were being applied in some of the new regeneration areas.
- 76 The Council and its partners readily acknowledge that this is the “*area that needs the greatest attention*”. We were told by the Council that there is “*no point investing in a fragmented structure*” and we were impressed by the plans and commitment we found to make it better. We support the view of the Council that the service should play a key role in setting the strategy for improving the delivery of local benefit.

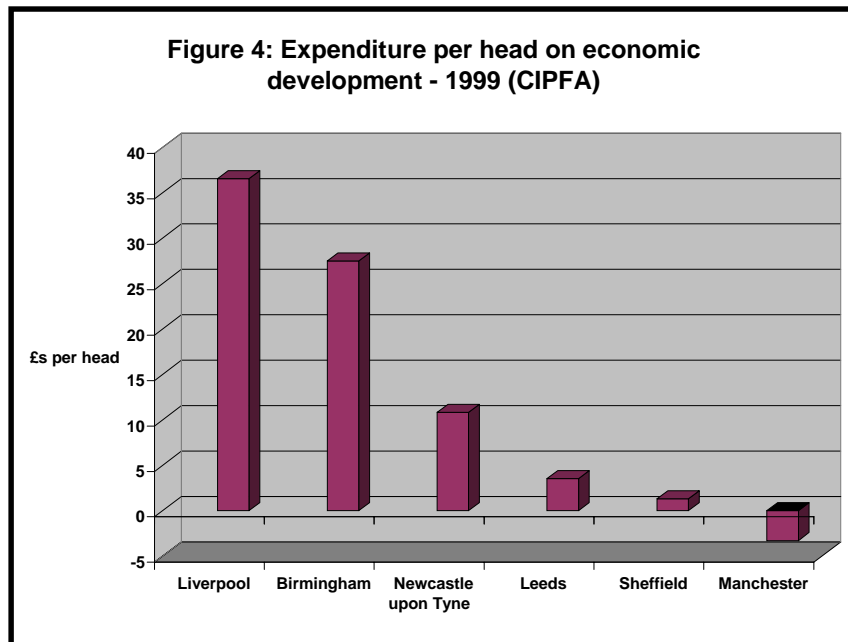
How does the service compare?

- 77 In order to judge the quality of a service it is important to compare the performance of that service against other suppliers across a range of sectors. The aim is not exact comparison, but an exploration of how similar services (or elements of services) perform in order to identify significant differences, the reasons for them, and the extent to which improvements are required.



Where LTU=long-term unemployment (that is those who have been unemployed for more than one year).

78 Manchester has seen a relatively rapid decline in the number of people claiming unemployment benefit (figure 3). Against a group of nine similar cities Manchester had the fourth largest fall in claimant unemployment and the decline in long-term unemployment was even more marked. Because of the complex nature of the Greater Manchester economy it is difficult to assess how much of this improvement was due to the actions of the Council and its partners. It does show that the city is on an improvement path on one of its key objectives.



79 Figure 4 shows that the Council's net expenditure is well below that of the other core cities. This is difficult to explain accurately but may be because Manchester Enterprises delivers many of the activities traditionally done by Councils. The cost efficiencies gained from the Manchester Enterprises set-up are worth further examination by other agencies.

4 Findings: Are they going to improve?

Does the best value review drive improvement?

- 80 The best value review is the mechanism for ensuring authorities deliver continuous improvement in the services they provide.
- 81 The review of Competitiveness, Enterprise and Local Benefit was a thematic review of the relationship between the Council and Manchester Enterprises. It was triggered by a range of factors including:
- ◆ changes in national policy which affects local economic regeneration such as the Urban White Paper, the establishment of the new Learning and Skills Council and the Small Business Service, the regional strategy for the North West, and the establishment of Manchester Enterprises Ltd;
 - ◆ the new power under the Local Government Act 2000 to promote economic well-being; and
 - ◆ strategic priorities in particular an *“overriding motivation ... to achieve more sustainable employment for Manchester residents”*.
- 82 The service wanted to address a number of objectives through the review, these were:
- ◆ define and refine ways of measuring the impact and effectiveness of economic intervention;
 - ◆ eliminate potential confusion to service users;
 - ◆ strengthen the link between economic activity and local benefit;
 - ◆ develop clearer links between economic development and regeneration; and
 - ◆ better position the service to exploit the city’s economic advantages.
- 83 The review followed clear guidance set out by the Council and was conducted by a team including Manchester Enterprises, Centre for Local Economic Strategies (a national consultancy), Manchester Chamber of Commerce and Industry, Salford City Council, MIDAS, Chamber Business Enterprises, and officers from the Council’s policy and best value offices.

Challenge

- 84 A day-long event was held to consider a number of challenging questions particularly around the relationship between the Council and Manchester Enterprises. At the end of the session a list of improvements and targets was drawn-up which specified partner responsibilities and targets. Task groups followed up the exercise.
- 85 We asked partners for their views on the best value process. In general they thought it was useful, *“a good opportunity to meet and think about the future”*. The absence of users in the review team led to some of the challenge being less rigorous as partners concentrated on incremental improvements in the current arrangements.
- 86 A number of service delivery options were set out for each of the four service areas. Advantages and disadvantages of the current arrangements were specified and discussed during the challenge exercise.

Consult

- 87 The partnership undertakes a good deal of consultation which is well-planned and generally well-integrated. Information from these surveys was used effectively in the review. Crime against business should have been investigated in more detail as this was the big issue identified in the Council’s best value survey.
- 88 The review team ensured that partners could express their views in detail and a number of improvement points were made particularly during the challenge day. But users’ views should have been sought on which functions the Council should provide.

Compete

- 89 Manchester Enterprises Ltd is probably the most advanced example of a Council using external agencies to deliver its economic development objectives. It demonstrates that the Council is committed to a playing a more enabling and strategic role and reducing the direct delivery of economic development activities.
- 90 There are still some areas where the Council is delivering services directly such as China trade and the financial assistance to industry. However it is committed to reviewing its activity in these areas.

Compare

- 91 Manchester City Council has compared itself for a number of years with other cities in the UK and Europe and we saw evidence that ideas have been shared and good practise used. For example, the Intermediate Labour Market is modelled on the successful Glasgow model. There are no national indicators for economic development and the unique structure of Manchester Enterprises makes comparison difficult.
- 92 For the best value review the Core Cities group held a bench marking exercise and subsequent focussed meetings to look at the functioning of partnerships in Leeds and Birmingham. The conclusion of these exercises was that whilst there are common problems in the cities, there is no national blueprint for the economic regeneration of the cities. Success is dependent on clear local strategy, local partnerships, with modernised Local Government taking a lead role. This message has been integrated into the improvements that Manchester is implementing.

How good is the improvement plan?

- 93 A best value review should produce an improvement plan that sets out what needs to improve, why, and how that improvement will be delivered. It should contain targets which are not only challenging but also designed to demonstrate and ensure the continuous improvement necessary to put the service amongst the top 25 per cent of Councils within five years.
- 94 The improvement plan flows from the review and is closely linked to the City Pride economic strategy. It sets out clear and ambitious outcome targets, for example:

<i>Indicator</i>	<i>City Pride baseline 2000</i>	<i>Target 2003/2004</i>
Employment rate	71.5 %	80 %
Unemployment rate	3.8 %	2.3 %
Long-term unemployment rate	38 %	30 %
Economic activity rate	76 %	80 %

- 95 Targets are also planned for reducing unemployment in the regeneration areas which will help to monitor how many local people are benefitting from economic activity.
- 96 The improvement plan sets out the objective (that is the objectives agreed at the start of the review), an explanation of the issue, the action to be taken, resources, timescales, and specifies lead partners. In addition the plan states what outcome the service plans to achieve by implementing the improvement plan. The improvement plan has a five year timescale which will guide the strategic development of the service.
- 97 There is strong commitment to the improvement plan from councillors, senior officers and partners particularly the intention to review its involvement in business support and trade promotion and enhance its strategic role to improve the benefit to local people of economic activity.

Will the authority deliver the improvements?

- 98 The Local Government Improvement Programme commented that, *“Manchester is a proud city being led by a proud confident council”*. They were impressed by the Council’s approach to regeneration and the belief that all sections of the community should share in the growing prosperity. They support the partnership arrangements and found the Council leadership have a clear vision of what it wants to achieve and *“embarking on an impressive agenda of change”*. The evidence we found supports these conclusions.
- 99 Staff have the skills and knowledge to deliver the changes and have demonstrated a flexibility and commitment to work effectively with the partnership. Councillors are strongly committed to the new arrangements and actively represent the Council on partnership boards. This ensures that the Council’s objectives are being delivered effectively.
- 100 There are good systems for monitoring and evaluating the impact of the partnership (for example the recent evaluation of the Intermediate Labour Market programme). The service has good systems for monitoring the outputs of its Single Regeneration Budget round 1 and these will be enhanced by the work currently underway to set outcome-based targets for the City pride economic strategy. The monitoring and evaluation process set out in paragraphs 106 -107 should ensure that councillors have the opportunity to review progress against these targets.

- 101 The city has a very strong track-record in regeneration. Its work to redevelop the city centre has been recognised as representing good practice (for example the Local Government Chronicle awards). New East Manchester Ltd is a pilot Urban Regeneration Company set up to improve the future for the communities of Beswick, Clayton and Openshaw. The area also has a New Deal for Communities initiative (£51.7 million over ten years) and a Single Regeneration Budget programme (£25 million over seven years). The Commonwealth Games stadium is also being built in the area. It is a good example of joined-up regeneration with targeted resources that has been given focused attention by the Council (the Deputy Chief Executive leads the initiative). It should offer the chance to develop best practice in linking local people to economic opportunities from which other area-based programmes can learn.
- 102 Manchester is the host to the Commonwealth Games in 2002 and has grasped the opportunity to spread the benefit more widely to local people. As part of this the North West Opportunities Programme has been developed with a successful £6.2 million bid for SRB funding. This focuses on:
- ◆ skills and education;
 - ◆ community and health development;
 - ◆ regional co-ordination and information network; and
 - ◆ business competitiveness.
- 103 Local people are already benefiting from the employment opportunities in the construction industry and from supply chain initiatives to ensure that local companies are encouraged to promote their business. The Games has led to a new swimming pool, a velodrome, an extension to the Metrolink Tram, Sportscity, and the City of Manchester stadium, which will be home for Manchester City Football Club after the games. The region expects to benefit from its increase media profile and an emphasis on developing trade relationships with specific Commonwealth markets.
- 104 Local residents have the opportunity to participate in the Games pre-volunteer programme. This is a thirty hour training course, certified by Btec, and including customer care, health and safety, first aid, and confidence building. This programme aims to improve the skills of unemployed people and to enhance their employability not only for the Games but for the future.

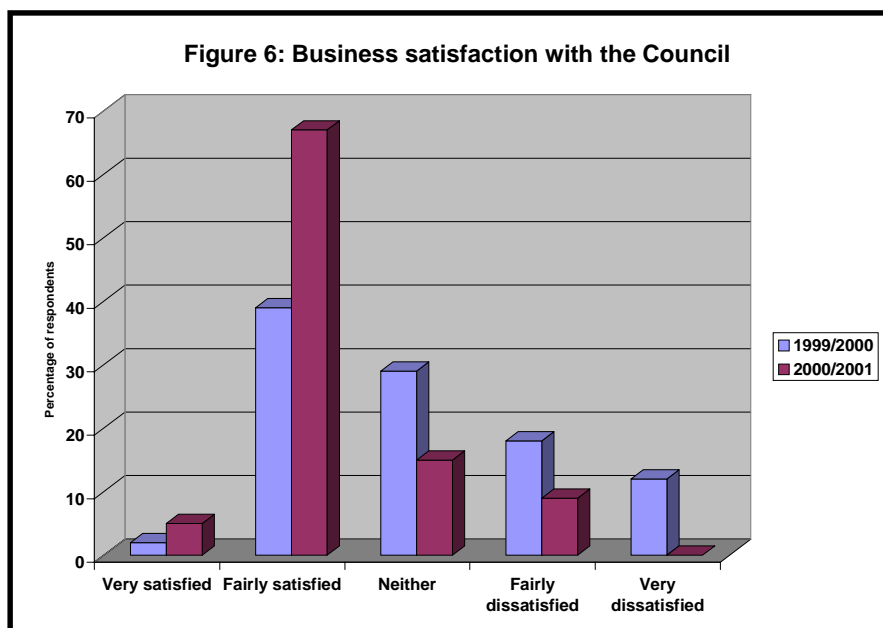
Managing the partnership

105 We asked how the Council could ensure that its strategic objectives and the improvement plan were delivered through the partnership. We found that the Council influenced the partnership in a number of ways:

- ◆ by its strategic involvement in the City Pride partnership;
- ◆ by active board membership to guide policy and scrutinise performance;
- ◆ by written protocols and service level agreements; and
- ◆ by officer-level meetings.

106 We were told by a senior councillor that the key to the Council’s role is “*a clear understanding of where it wants to be*”. The evidence we found supported this view. The partners told us that the Council is “*the most strategically involved*” of the City Pride partners and “*makes a really valuable contribution*”. They characterised the Council’s approach as “*very pragmatic, great*” and they said that the Council “*have their finger on the pulse*”. We were also told that the Council “*takes a robust view on monitoring delivery*”.

107 Finally the evidence from the best value survey shows that businesses are increasingly satisfied with the way that the Council is running the city.



Appendix – What did the inspectors do?

The purpose of best value inspection is to make two judgements. The first is, how good is the service being inspected? The second is, how likely is it to improve? We carried out a range of different activities to enable us to reach our judgements.

Documents examined

Before going on site we reviewed a range of documents which had been provided in advance by the Council for us. These included:

Cardiff Competitiveness Group	An index of city competitiveness in the UK	June 2000
Centre for Urban Policy Studies	Second interim report of the Impact Assessment Project for the Stockport Road Corridor Partnership	October 1999
City Pride	Economic Strategy	2000
DTZ Piedad Consulting	East Manchester business and skills baseline	December 1999
Employment and Regeneration Partnership	Improving the New Deal	November 2000
GFA Consulting	Wythenshawe Economic Strategy	
Greater Manchester Police, et al	Crime and disorder: A strategy for Manchester	April 1999
Greater Manchester Research	Monthly Unemployment Bulletin	January 2001
Local Government Improvement Programme	Visit to Manchester City Council	July 2000
Manchester City Council	Best Value Survey	2000/2001

Manchester City Council	Manchester employment in construction charter	
Manchester City Council	Economic development statement 2000/2001	
Manchester City Council	Single Regeneration Budget – round 1: year 5 delivery plan (1999/2000)	
Manchester City Council	Manchester 2002 Commonwealth Games: corporate plan	October 1999
Manchester City Council	Sharston industrial estate: regeneration framework	May 2000
Manchester City Council	Update Manchester	December 2000
Manchester City Council	Knowledge Industries	February 2001
Manchester City Council	Best Value Performance Plan	April 2000 – March 2001
Manchester City Council	Making it: regeneration, innovation and the knowledge economy	March 2001
Meridien Pure	Piccadilly regeneration and business support services	July 1999
SIA	Miles Platting, Ancoats and the Northern Quarter business support study	January 1998

Reality checks undertaken

When we went on site we carried out a number of different checks building on the work described above in order to get a full picture of how good the service is. These on site ‘reality checks’ were designed to gather evidence about what it is like to use the service and see how well it works on the ground. We followed up on issues relating to the management of the review and the improvements flowing from it. Our reality checks included:

visited the Workshop and spoke to staff and trainees

visited New East Manchester and the offices of New Deal for Communities

visited Commonwealth Games venues

visited Step Ahead offices at Beswick

telephone calls to business grant recipients

visit to Churchgate House and MIDAS offices

visited business premises

held staff and partner focus groups

attended City Pride Economic Development Officers Group.

Interviews conducted

Manchester City Council

Councillor Mrs Robinson, Deputy leader

Tom Russell, Deputy Chief Executive

Eddie Smith, Head of Regeneration

Ian McCarthy, Head of Economic Initiatives Group

Peter Babb, Planning Officer

Geoff Little

Kerri Farnsworth Principal Economic Development Officer, MCC

Dave Carter, Economic Development Officer

Rukshana Mahimwala, Economic Development Team

Nigel Bodman, Project officer

Beverley Taylor, Best Value Team

Martin Kelly

Shelagh Battersby

Staff Focus group

Partners

Ian Lever, Manchester Enterprises

Neil Fountain, MIDAS

Drew Thomas, EPR

Ian Homard, Regional Development Agency

Angie Libman, Area manager, Manchester (strategy), ERP

Sian Peake-Jones, CLES

Sue Musson, Chamber Business Enterprises

Tracy Duggan, Business Advisor, CBE

ME Officers working group

External Agencies Focus Group

Businesses

Mr Yikman Sui, YES Group

Mr Hamburger, Managing Director, Searchlight Electric Ltd