

Business Plan

2016/17

Contents

Section	Page
1. Introduction	3
2. Ambition, Strategic Priorities and 3 Year Forward Look	4
3. Internal Transformation	6
4. Business Units:	7
» Skills	
» Employment	
» Business Support and Business Finance	
» Organisational Development Services	
» Marketing	
» Strategy and Research	
» Corporate Services	
5. Finance	12
6. Performance Management	13

1. Introduction

Purpose

The Manchester Growth Company's (MGC) purpose is to enable growth, create jobs and improve lives in Greater Manchester (GM) and the other locations in which it operates. It is driven by the economic development strategy of the GM city region and is commercially focussed. Any surpluses are re-invested to support achieving our aims. The Group was formed with core objectives to drive forward Greater Manchester's (GM) economic development and help deliver the Greater Manchester Strategy (GMS) to address GVA growth differential, (for GM to become a net contributor to the national economy) and to ensure the inclusive impact of growth. MGC provides the Combined Authority and the LEP with additional resource to tackle these strategic challenges.

Context

The Business Plan also takes account of external factors shaping our activity. These include:

- Continued underlying economic progress from the recent recession and labour market recovery although accompanied by uncertainty in global markets, with additional economic risks presented by declining oil prices, reduced growth in China, increased risk of terrorism, euro-currency risk and climate change.
- UK Government economic priorities centred on improving business productivity, increased exporting, rebalancing the economy (sectors and geography) and increased focus on skills in particular, apprenticeships, along with continued reductions in public borrowing and welfare spending.
- The November 2015 Comprehensive Spending Review (CSR) which placed further pressure on national Departmental and Local Authority budgets and has already impacted on some national programmes, such as the demise of the national Business Growth Services and a forthcoming restructure of UKTI. Also as a result of CSR 2016/17, there will be a radical change in the way in which key services will be funded such the work and health programmes and apprenticeships.
- A continued drive towards devolution to cities with Greater Manchester at the forefront of this process, the associated election of GM's mayor in 2017 and the emerging GM spatial framework (alongside a range of other GM responses such as sector deep dives, low pay etc).
- Continued support for and growth of the Northern Powerhouse agenda.
- A referendum in June 2016, on EU membership, with the possibility of a Brexit.

These represent both risks and opportunities for MGC.

Reductions in Government and Local Authority spend present commercial/financial risks to MGC although in some areas, such as Employment and Skills, these may result in a radical re-structuring of the provider market from which new commercial opportunities could emerge. Changes to the way in which apprenticeships are funded represent both a risk and an opportunity and MGC's engagement with businesses to provide holistic solutions to their needs will be a key aspect of our response to this change. The evolution of the Northern Powerhouse and continued devolution to cities represents a significant opportunity for MGC to position itself as a major player in the delivery of economic development services across the North of England. The specific nature of these challenges and details of how MGC will adapt and respond are set out in greater detail in this Business Plan.

The Financial Plan at Section 5 identifies a projected surplus out-turn position for MGC legal entity for 2016/17 of £1,045k on an income of £114m (£101m 2015/16).

2. AMBITION, STRATEGIC PRIORITIES AND 3 YEAR FORWARD LOOK

Ambition

MGC's corporate ambition is to be a key enabler to GM's economic growth, set and drive agendas and be a high performing organisation that is the deliverer of choice in target markets.

MGC will:

- Deliver measurable economic growth and account for our performance to the stakeholders, thus enhancing our reputation and profile.
- Increase the scale of our commercial activity in order to achieve a growth in turnover and profit to generate increased surpluses for re-investment in scale, breadth and quality of service provision.
- Provide fully integrated services to our customers to improve customer benefits, increase economic impact, maximise our USP as the only organisation able to offer such an integrated package and enhance our own commercial success.
- Utilise our strategic and commercial knowledge and intelligence to shape and influence local and national economic development policy and delivery systems to spread best practice.
- Be an employer of choice, attracting and retaining the very best people and attaining recognition as a high performing organisation.
- Transform our internal systems and processes to become a robust and agile organisation thereby maintaining our reputation for delivering quality services with passion and commitment.

Strategic Priorities

To support this ambition our strategic priorities for the 2016/17 are set out below. These are supported by a set of individual Business Unit operational objectives, set out later in this Plan.

Support and Enable GM Strategic Priorities

In particular on Devolution, position GM at the heart of the Northern Powerhouse and delivering on behalf of, and in partnership with, the GM Local Authorities, with MGC playing a leading role in driving forward key strategic initiatives and positioning GM on a local, national and international stage.

Increase the Productivity Performance of GM

Using our evidence base and understanding of the GM economy to ensure that MGC delivers services that enables more and higher value businesses to be created as well as improved employment and wage rates, and in doing so supports the aim that all parts of GM and specifically proactive action for those underperforming areas, to have a strong and sustainable economic function to stimulate future growth and maximise their ability to share in its benefits.

Achieve Internationalisation Ambitions

Building on the new Internationalisation Strategy and outcomes of the Marketing Manchester and MIDAS Reviews, MGC will play a lead role in supporting GM to achieve its international ambitions by increasing the volume and value of International Trade, Inward Investment and Leisure and Business Tourism, in addition to promoting GM on a global platform and exploiting the potential of City of Science.

2. AMBITION, STRATEGIC PRIORITIES AND 3 YEAR FORWARD LOOK (Continued)

Achieve Improved Surplus

Secure commercial growth in target business areas (e.g. Work Company, Business Finance Solutions, Organisational Development Services/Consulting and Aspire) and increase both the Group's overall turnover and profit.

Improve Efficiencies

Ensure that the overall MGC operating and shared services cost base is minimised and that broader resource (sustainability) efficiencies are maximised. Also, improve cash reserves and ensure effective financial management.

Integrate Services

Design, promote and deliver packaged services to business customers and increase cross selling and cross referrals throughout the Group, utilising enhanced targeting of clients and resulting in increased market penetration.

Deliver Internal Transformation

With the MGC values at the core of all activity and building on progress to date, MGC will move to complete its internal transformation which delivers the change required to achieve MGC's ambition, its aspiration to become a high performing organisation and to maximise the impact the organisation has on the communities with which it works through our approach to social value.

Develop MGC Leadership Role

Develop and implement mechanisms for harnessing and utilising MGC's unique access to knowledge and intelligence in order to establish the Group as a "thought leader" for economic policy and delivery solutions. Utilise our unique positioning and intelligence to achieve prime contractor/strategic partner status within key partnerships and supply chains.

The above strategic priorities are enabled through MGC working in strategic partnerships to enhance the collective effort focused on achieving GM priorities. These partnerships extend across all our services and include education, voluntary, private and public organisations. In the last 12 months these have seen a significant increase especially related to our approach to new European funds and with the GM Futures and GM Colleges initiatives.

3. Internal Transformation

At the formation of the group, MGC embarked on a programme of internal transformation which not only sought to fully integrate the 17 operating companies, but also to create an organisation which is able to fulfil its strategic objectives and adapt to change.

Central to the success of the programme is the shaping of the organisation culture, which is underpinned by the newly implemented company values: make a positive difference, stronger together, empower people, build on success and do the right thing.

Significant progress has been made on our transformation to date, however the programme is not complete and will continue throughout 2016/17.

The core objectives of our internal transformation are to ensure that MGC has:

- Strong Governance and Management, supported by a robust internal procedural framework and control environment positioning MGC as an exemplar organisation to clients, stakeholders and business partners.
- Efficient, effective and integrated MGC service provision, both internally and externally, to maximise engagement and performance with client groups.
- Achieved its aim to become a high performing organisation and an employer of choice.
- The right approach, processes and infrastructure to improve efficiency and drive down costs.
- Strong and appropriate positioning in the marketplace and with stakeholder groups and client base which aligns with the Group ambition.

4. Business Units

Skills

Operational Objectives 2016/17:

- Position North West Apprenticeship Company as the ATA vehicle for the public sector in the North West under their Apprenticeship mandate, utilising existing model to springboard GM into pole position in this space.
- Prepare for change brought about by the Apprenticeship reform, transforming our product base, sales approach, delivery and central functions to prepare for apprenticeship reform in 2017/18 with phase 1 products going to market by August 2016 and subsequent changes in place by February 2017.
- Consolidate our vocational offer – we will divest sectors that are non-profit making, unless GMS priority, and shift resource to invest in profitable ones. We will build seamless escalator models which offer career pathways for our learners in priority GMS sectors and support increased productivity.
- Maximise contract income from SFA/EFA/HE with efficiency enabling continued recovery from loss to surplus position of >£150K and position the company to maximise opportunities from devolved budgets.
- Secure diverse income growth through robust and commercial business development by, for example, securing £10M of ESF by May 2016, with strong operational interface and handover.
- Improve surplus within our commercial skills activity via more proactive sales action, generating a surplus of £36K (excluding investment cost for apprenticeship levy).
- Structural / cost cutting changes needed and achieved early to ensure efficiencies can be generated.
- Work with BGH and MIDAS on preparing businesses to be ready for the levy with web-site, literature and events programme in place by April 2016, and position MGC in key role.
- Improve quality and obtain OFSTED 2
- Work with New Economy, MMU and other partners to develop new provision that support Growth & Reform Agenda. Re-shape Adult unemployed provision in line with devolution direction of travel in entering and sustaining job outcomes, connecting with Work Co. where possible in customer journey.

Employment

Operational Objectives 2016/17:

- Position ourselves as a GM prime contractor for the new Work and Health programme, delivering required performance through the effective management of supply chains including Working Well Expansion, Skills for Employment and NCS.
- Develop our provider leadership role in GM through our GM Futures partnership and through prime contracting provider supply chains on Working Well Expansion and Skills for Employment over the period April 2016 to the launch of the new Work and Health Programme in October 2017.
- Deliver locally responsive high performance on our new GM contracts including Working Well Expansion and Skills for Employment, meeting and exceeding contractual targets.
- Negotiate large scale sub-contracting opportunities on the Work and Health programme with a wide range of prime contractors outside GM on a wide footprint across the North, Midlands and London. This will require clear and effective relationship management and the development of high quality marketing collateral. The critical period will span from the issue of a Provider Information Notice (PIN) by DWP, anticipated in April 2016 and will run to the likely submission of bids in autumn 2016.
- Develop and diversify health and work offer to penetrate wider health markets. The primary focus will initially be on substance misuse services but is likely to subsequently include mental health and will be facilitated by developing an expanded service offer based on a new partnership with health providers. The development period is over the next 24 months.

4. Business Units (Continued)

- Build our performance, reputation and position as a Careers EIAG provider and prime for NCS contracts, for potential future re-procurement from 2018.
- Aspire to continue to deliver a 9% margin and to build turnover with a focus on growing higher margin private sector permanent hiring and expanding our range of GM public sector partners.
- Continually review expenditure to ensure that business unit cost is minimised and that resource efficiencies are maximised with progress monitored quarterly.
- Maintain and build our reputation for high quality services through successful internal and external audit performance, retention of existing quality marks (e.g. Matrix and ISO) and the acquisition of new quality accreditation relevant to the Health field such as Mindful Employer.
- Develop a thought leadership role for the Work Company, building our profile through publishing trade press thought pieces, industry conference speaking and key event sponsorship and in systematically responding to Government consultations to raise our profile with DWP.

Business Support and Business Finance

Operational Objectives 2016/17:

- Support the Combined Authority's continued devolution and integration of Business Support particularly with regard to Innovate UK, UKTI and the British Business Bank such that, by 2019, agreements are in place with Government for all business support and business finance delivery and/or budgets.
- Deepen relationships, communication and co-delivery with local authorities to ensure that our services are meeting local needs of GM with partnership agreements in place with all GM local authorities and a stakeholder feedback score of >85% is achieved by March 2017.
- Work with GMCA to develop and deliver the GM Business Finance Strategy, harnessing relationships with BIS, BBB, EIF, CDFI and the European Microfinance Network and implement the GM: BBB MoU by March 2017.
- Achieve in 2016/17 a first year of successful ERDF delivery under 2015-18 funding contracts, including the implementation of new partnership arrangements, bringing to market the full suite of existing and new products and services, increasing the productivity of business clients and achieving year one contractual targets agreed with DCLG.
- Deliver an efficient, high-impact inward investment service by: adding value to Enterprise Zones, international promotion of priority sectors, contribution to the refreshed Internationalisation Strategy and playing a leading role in NPH initiatives; implementing by March 2017 the outcomes of the review of inward investment.
- Contribute to a step change in export performance through delivering on UKTI contractual targets for the NW international trade service, managing any operational impact from UKTI's review of future budget and delivery channels, securing additional ERDF resources for the 2016-18 period, delivery of the GM Export Fund targets and implementation of the Internationalisation Strategy and associated GM Export Plan.
- Support OD services to achieve the 2016/17 strategic and commercial value of the new environmental consultancy services and develop similar approaches for the manufacturing sector with the new manufacturing service moving from pilot to full implementation in April 2017.
- Implement internal changes required to accommodate the expanded start up loan portfolio, including sourcing, financing and implementing a new Fintech system to underpin existing delivery and growth in lending activity and increase profits to >£250K. Secure a significant role in the NPH Fund.
- Continually review expenditure to ensure that business unit cost is minimised, that resource efficiencies are maximised and profit targets for 2016/17 are met.

4. Business Units (Continued)

- Implement the new CRM system and complement this with a programme of L&D that results in improved business unit performance and better cross-selling of integrated service offers to business with one in three of MGC's business service users exposed to two or more services from MGC.
- Position Growth Hubs as Government's delivery vehicle for business support and place the Business Growth Hub and Business Finance Solutions Hub and at the forefront of national policy and partnerships.

Organisational Development Services

Operational Objectives 2016/17:

- Promote Version 6 of IIP into the North of England market highlighting workforce productivity gains as a key outcome for employers
- Achieve additional revenue target for High Performing Organisation and Consultancy areas of £500K (included within £9.0M revenue forecast).
- Increase on 14/15 gross margin by up to 70% and improve on nett return via direct delivery model blended with associate delivery and improved efficiencies across the ODS service area
- Embed the restructure of the IDG team to achieve an increase in strategic level sales and business development capability in consultancy service areas, whilst adding 2 new roles to support CFA business development plan.
- Retain operating licences for IQC, Lexel and SQM via proposed tender processes expected in August 2016 onwards.
- Differentiate IQC core business into advisory and training activity with consideration of targeted activity where strong partnerships exist e.g. Scandinavia, UAE and USA.
- Retain an overall ODS client retention rate of 85%, based on clients due in 2016/17 and Customer Satisfaction rating using UKCES nett promoter of over 40% (15/16 benchmark 37%).
- Continually review expenditure to ensure that business unit cost is minimised and that resource efficiencies are maximised.
- Contribute to work across MGC on service integration, improving the employer offer through strong branding and innovation in delivery approach, utilising MGC unique market position and its range of services that can increase productivity and enable growth.
- Directly support (as well as participate in) MGC organisation transformation by leveraging its IIP/Organisation Development knowledge and experience.
- Enhance ODS's "thought leadership" profile by developing and leading a network of like-minded professionals through social and other interactive media, including publication of research and best practice, to stimulate debate and challenge.

Marketing

Operational Objectives 2016/17:

- Improve GM positioning by promoting the wider story of Manchester; capitalising on media interest in GM's devolution programme, the Northern Powerhouse agenda and positioning the LEP within this context.
- Deliver against or exceed 2016/17 KPI targets which measure media, business and consumer engagements, web visits, media reach and social engagements, economic impact of conference won and the tourism economy, value of commercial activity and ROI on campaigns..

4. Business Units (Continued)

- Implement targeted investor and visitor marketing and communications across key sectors, incorporating the Internationalisation Strategy refresh outcomes:
 - » Continue to collectively promote Greater Manchester's tourism sector internationally and nationally, highlighting new product and marketing opportunities across the city region and delivering ERDF sector marketing targets.
 - » Conduct a digital review and develop Visit Manchester website to provide a wider destination platform to support our ambitions for sector promotion and growth, and support KPI's linked to increased web traffic and more commercial income. Conduct feasibility for development and monetisation of Manchester Channel, increasing global reach and delivering on-line and social media KPIs.
 - » Develop sector communications and deliver focussed investor and trade promotion for key sectors - Advanced Manufacturing, Science, Health, Creative Digital Tech and other key sectors – to support delivery of inward investment and trade targets.
 - » Support the delivery and promotion of the ESOF and City of Science and its legacy by capturing content and media database of 100 science journalists for follow up activity.
 - » Co-ordinate Manchester's presence at MIPIM – the largest property showcase in the world – generating sponsorship income to re-invest in other sector activity. Generate commercial income by co-ordinating private sector partnerships and provide full event management, content co-ordination for the full programme of activity and full marketing and media support.
 - » Undertake market research, establish evidence and develop improved national and global benchmarks for city brand perception and competitive city analysis to guide targeted activity.
- Pursue and leverage public and private funding opportunities across each target sector, including the Discover England Fund, to maximise the resources available to invest in the promotion of GM.
- Review internal costs and systems to create efficiencies including: CRM; supplier frameworks; planning, delivery, performance and evaluation.
- Undertake further brand alignment across MGC to support the simplification and integration of the Group's offer to its customers.
- Complete marketing integration across the Group aiming to uplift the quality of marketing services delivered to MGC units and support delivery of KPIs.

Strategy and Research

Operational Objectives 2016/17:

- Provide a research, cost benefit analysis and evaluation service that supports and challenges GM's economic growth and public service reform policy.
- Secure commercial research, cost benefit analysis and evaluation activity both within and outside GM where it provides added value to GMCA.
- Contribute to the overall development of GM strategy and act as thought leader for GM to drive future GMCA and LEP priorities.
- Working with GMIST and PSR team identify opportunities to support and drive the GMCA agenda.
- Support the GMCA's agenda in implementation of the Area Based Review and implementation of the Raising Participation Age strategy with particular focus on improving GCSE attainment and CIAG in schools.
- Develop and shape GM's business support, science/innovation and internationalisation strategy, contributing to the implementation of the devolution deal and informed by Science and Innovation audits.

4. Business Units (Continued)

- Develop key facets of the devolution deal for planning, housing and the environment including GM Spatial Framework, the Low Carbon Plan, increased house building and new models of social housing.
- Continue critical infrastructure mapping and planning, including joint working to develop a Utility Providers Investment Plan.
- Support GMCA to influence key policy developments in Europe, helping GM maximise impact from European funding and non-ESIF opportunities.
- Ensuring cost efficiencies are driven through the business unit.

Corporate Services

Operational Objectives 2016/17:

Corporate Services is essential to the success of each business unit and facilitates many of the Group's transformational and cost efficiency priorities:

Operational Objectives supporting improved efficiencies (Strategic Priority 5)

Agresso development – the Finance module will go live in April 2016 and work has commenced on the implementation of HR, Payroll and Recruitment modules. It is envisaged that the new Recruitment module will be implemented during Q2 and HR and Payroll will go live in late Q3/early Q4 due to the pre-requisite work on policies and procedures that are necessary prior to implementation.

Cost reduction/Procurement – the cost review group will continue to focus on developing and implementing cost savings through short and medium term initiatives. The appointment of a new Group Procurement Manager will ensure that these efficiencies are realised and embedded across the Group.

Cash management – due to the increased pressure on cash-flow from the new ERDF programmes, working capital and cash-flow management will be a main operational priority for the Finance function.

Estates review – a review of current properties including Warren Bruce Court and Carvers' Warehouse, ensuring that maximum value is obtained.

ESOS implementation/low carbon – the development of the ESOS (Energy Savings Opportunity Scheme) action plan, registered with the Environment Agency in January 2016 will be implemented throughout 2016/17.

Operational Objectives supporting Delivery of Internal Transformation (Strategic Priority 7)

Service delivery – full implementation of the Corporate Services development plan, the refinement of performance reporting and the implementation of recommendations from the lean processing exercises.

IT Strategy – in the short term this will be the implementation of a new disaster recovery (DR) solution as well as improved back up and storage capacity. In the longer term, this will be the development of an IT strategy for the Group that will enable transformation of its service delivery.

Robust internal controls – a re-focus of Internal Audit priorities will be developed through the 2016/17 Internal Audit plan which will be agreed by the Audit Committee and will seek to provide the necessary assurance to the Board regarding contractual and other corporate risks. The issues resulting from the International Trade irregularities will be addressed through a series of enhanced controls including expense monitoring, credit card reduction and audit checks.

Organisation development – the development of a series of initiatives focused on employees e.g. Learning and Development Strategy, Diversity and Wellbeing which will help to move MGC closer to its aspiration to be a high performing organisation and an employer of choice.

Employee engagement – continue to improve staff engagement through the development of the internal communication strategy and reward and recognition elements such as the performance review and variable pay systems.

5. Finance

Budget for 2016/17

Business Unit	Income £k	Expenditure £k	Surplus/(Deficit) £k
MGC Holding Company	8,203	8,956	(753)
Skills	22,849	22,941	(92)
Organisational Development	9,039	7,748	1,291
Employment	30,087	29,551	536
International Trade	4,176	4,053	123
Business Growth Hub	29,924	29,918	5
BFS	3,823	2,892	932
MIDAS	2,010	2,108	(98)
Total Business	39,933	38,971	962
Challenge 4 Change	349	349	0
Marketing Manchester	5,220	5,379	(159)
New Economy	3,467	3,467	0
Total MGC Group	119,147	117,362	1,785
Total MGC (legal entity)	113,670	111,787	1,883
Total MGC (legal entity net BFS Core)	112,833	111,787	1,045

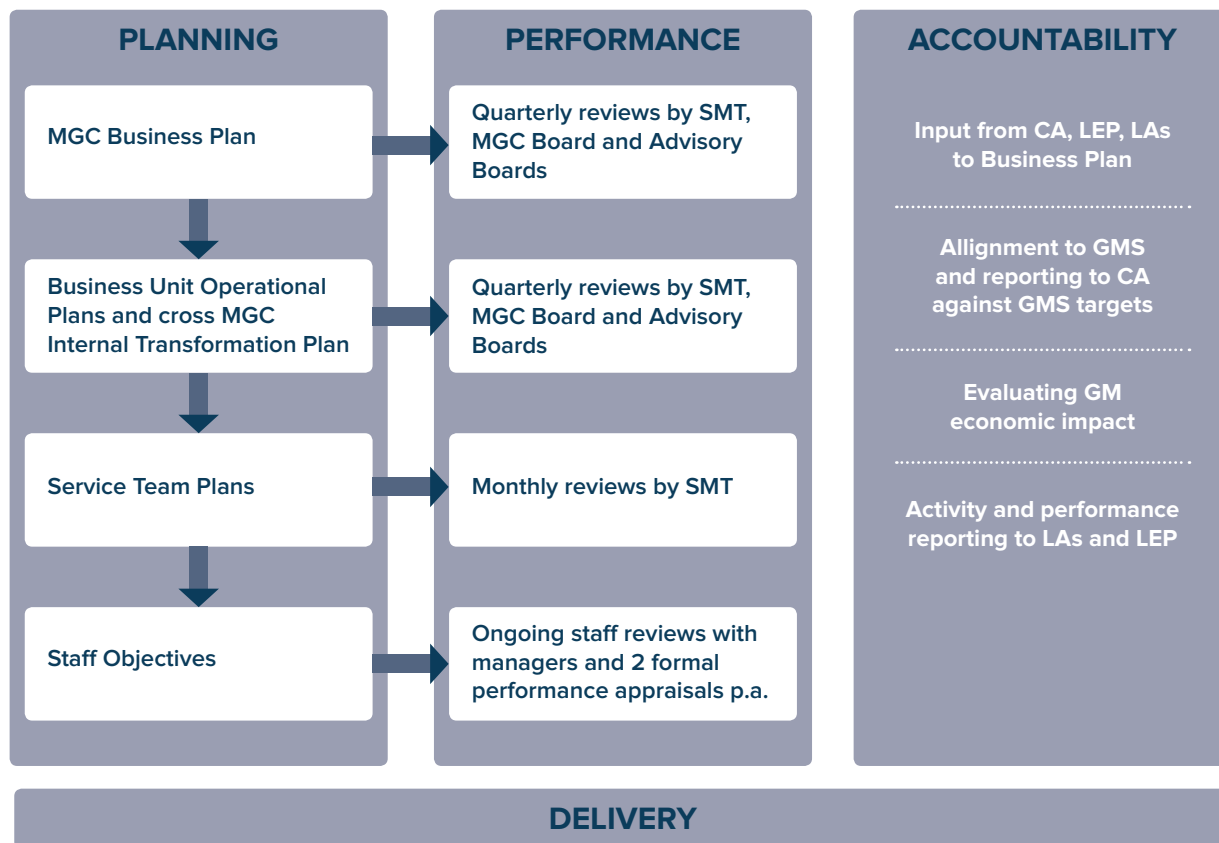
2016/17 Budget Assumptions

- Income only budgeted where it has been 'won'
- SFA income assumed at £14.7m, to be confirmed in June 2016
- Full ERDF programme included
- Skills for Employment not included
- Planned cost reduction programme – targeted savings to be achieved across Group in travel, mileage, recruitment, office consumables and energy
- Interest charges included for CA loan and bank overdraft

6. Performance Management

Performance planning, management and reporting system

The Group operates a performance planning, management and reporting system which is summarised in the diagram below.



Performance Targets for 2016/17:

MGC's top 10 KPI delivery targets for 2016/17

Key Performance Indicator - Delivery	2016/17 Target
£M of additional GVA / economic impact	£402M
No. of new jobs created	9,400
No. of business start ups	4,000
£M of increased overseas and domestic sales	£477M
£M of grant or loan investment in existing and new businesses	£69M
No. of businesses supported	12,400
No. of inward investments into GM	90
No. of clients placed into work	22,700
No. of apprenticeship starts	3,057
No. of successfully completed apprenticeships	2,362

6. Performance Management (Continued)

Reporting:

Reporting will be in the form of narrative progress assessment against Business Plan priorities and KPI data against targets. The following reporting cycle will apply.

Audience	Inputs	Activities	Outputs	Outcomes
Group Board	Quarterly			Quarterly
Advisory Boards		Quarterly	Quarterly	Quarterly
GM LEP				Six monthly
Local Authorities*		Quarterly	Quarterly	Quarterly

*Note: Local Authorities receive reports showing, by district, those activities, outputs and outcomes that can be measured at a LA level. Every six months, each Authority also receives a full narrative report of business support activity in its area.

Evaluation

The Group is committed to the independent evaluation of its services to assess their impact on the economy, their contribution to GMS objectives and their effectiveness from a customer perspective in order to inform service reviews and improvement. To date, full evaluations have been completed for Access to Finance, Business Loans, Inward Investment and the Textiles Growth Programme and an interim evaluation has been completed for the Business Growth Hub. Findings from these evaluations have been used, together with the findings of the Annual Business Survey, to inform the development of new services and the enhancement of existing services. They have also been to support new funding applications. The Group's approach to evaluation will be extended to those employment and skills activities where independent evaluation would provide additional high value impact data over and above that already obtained from existing data capture.