

Economy Scrutiny Committee

Minutes of the meeting held on 6 February 2013

Present:

Councillor Green – in the Chair
Councillors Barrett, Chamberlain, Davies, Hackett, Karney, Keegan, Ollerhead, Pritchard, Richards, Shone, Simcock, Smitheman, Stogia and Taylor.

Councillor J Battle, Deputy Leader
Councillor Leese, Leader of the Council
Councillor E Newman, Chair of the Health Scrutiny Committee

Paul Breen, Business Finance Solutions
Richard Jeffery, Business Growth Hub

Apologies

Councillors Chappell and Walters

ESC/13/07 Minutes

Decision

To approve the minutes of the meeting on 9 January 2013 as a correct record of the meeting.

ESC/13/08 Impact of Welfare Reform

The Committee received a report of the Assistant Chief Executive (Regeneration) which gave an overview of the Welfare Reform Act and the impact it is having on residents in Manchester. It provided a summary of work underway to assess and respond to the impact and what was being done to mitigate the negative impact on households. This was referred for consideration through the scrutiny process by the Council at its meeting on 5 December 2012. The subject crosses the remit of a number of scrutiny committees, and the Economy Scrutiny Committee was nominated to lead on it.

The Committee discussed the change to housing benefit rules that and working age households deemed to be under occupying their home would have their housing benefit reduced by 14% for under occupying by one room, and 25% by two or more. A member asked whether, if a tenant went into arrears for this reason and was then evicted, they will have made themselves intentionally homeless, and therefore the Council would have no duty to rehouse them. She also asked whether courts will evict tenants under these circumstances. The Director of Housing explained that each case is treated on an individual basis. In general, if a person does not pay their rent but actually could have done, then they are intentionally homeless and the Council has no statutory duty to rehouse them. However, the Court could treat cases differently depending on the circumstances. He said that it was not yet clear what

view the courts will take as it has not yet been tested. He said that there was a general concern and expectation within the social housing sector that a court would not evict someone if they are in arrears and willing to move, but with no suitable property to move to, as this is not their fault. A member told the Committee that she knew of a couple that lived in a one bedroom flat which was knocked down and rehoused into a two bedroom flat. Now they were facing a reduction in their housing benefit. The Director of Housing said that the Council and housing providers had established a range of support and mitigation to prevent residents from reaching the point of eviction for this reason. The Deputy Leader said that there was a strong chance this would lead to a housing crisis, and money will be spent chasing rent, rather than making improvements.

The Director of Housing said that approximately 12,300 people would be affected by the new rules on underoccupancy, and the Council had written to them all to inform them and advise them to contact their landlord. All social housing providers in the city were aware and proactively following up with the effected residents. Following these letters, 40% of the people contacted followed them up, meaning that 60% did not. Landlords were now going directly to people's homes to talk to them, and he did not have the up to date figures for how many people had been contacted through this method. He said it seemed most people's attitude was that they would cope with the change, which suggested that people were not facing up to the reality of the situation.

The Committee welcomed Councillor Eddy Newman, Chair of the Health Scrutiny Committee, to the meeting. He addressed the Committee on the impact of welfare reform on health matters. This included the replacement of the Disability Living Allowance (DLA) and work capability assessments, which seemed to have arbitrary findings, with people losing benefits with no chance of being able to secure or keep a job, especially in this economic climate. He said that the changes would cause debt, despair and division and lead to an increase in domestic violence and a flourishing underground economy. He said it was right that people should feel angry about these changes, and that anger should be channelled constructively.

A member asked how the Council was monitoring the impact. The Interim Head of Regeneration said a dashboard was being put together which would monitor the impact. At the moment, there was little detail about what the impact was, particularly in terms of how people would respond to the effects of the changes. A member noted that there would be Digital Champion volunteers to help people to use the online forms, and asked whether these were new or already established. The Interim Head of Regeneration said they were new, but that libraries were already well positioned to promote the use of ICT and support residents to learn. A member commented that the 'movers survey' being conducted to establish whether people are moving to cheaper accommodation was not a good idea, as people who were in these difficult circumstances would not prioritise filling out a survey.

The Committee felt it would be helpful to have an information sheet for councillors, to indicate where to send people who were asking for advice, and where councillors could get advice from. The Interim Head of Regeneration said that a series of briefings for councillors were being arranged in Strategic Regeneration Areas, and the Regeneration Team was working with the Communications Team to develop an information pack for councillors, officers and partners. The Deputy Leader said that it

was vital to use all methods to communicate effectively and provide residents with accurate advice. He said councillors should expect increasing numbers of people attending their surgeries because of welfare reform, and that ward coordination should be used effectively to communicate with residents.

A member said that welfare reform would have a horrendous impact on the city. He said the report was very factual and informative, but overly neutral given that the language used by the government is not neutral or helpful. He said that in talking to residents, most people did not believe the government was introducing the new rules on underoccupancy, and the impact of people moving around the city would be extensive.

The member proposed a motion that the Committee:

- hold a special session of the Committee in June to look at the impact of welfare reform following its implementation;
- invite Mancunians whose lives have been affected by the changes in different ways to tell us their stories;
- head a delegation to the Secretary of State for Work and Pensions and Downing Street with the Mancunians to show them the impact that welfare reform is having.

The motion was seconded, and unanimously agreed. The Deputy Leader told the Committee that there was already work going on to bring the people being effected by the changes together to campaign and lobby the government, through trade unions, residents associations and tenants associations. He suggested that the Committee may want to link in with this, which the Committee agreed to.

A member asked what the Council was doing to ensure that private landlords were not taking advantage of people affected. The Director of Housing said that the Council had a policy to deal with rogue landlords, including taking action against those who flagrantly breached legislation. The Council was also signed up to a Shelter campaign against rogue landlords. He said that the 2011 Census showed that the private rented sector had increased by 11% since 2001, and was now 30% of the housing stock in the city. As such a strong force in the city, the Council had to work with the private rented sector.

A member told the Committee that the Council had sent a resident a letter telling her she would be exempt from changes relating to underoccupancy because she had been assessed as having "fair rent". The Chair said she was also aware of a resident who received a similar letter, but her housing association, Adactus, said it was wrong. After making enquiries with the Council, it was confirmed that Adactus was right. The Committee felt it was crucial to ensure that information the Council was sending out was correct. The Director of Housing did not know the details of the letters, but doubted that the residents would be exempt from the changes. He said he would follow up this, and agreed that information from Council must be accurate.

Decision

1. That the Committee will:
 - hold a special session in June to look at the impact of welfare reform

- following its implementation;
- invite Mancunians whose lives have been affected by the changes in different ways to tell us their stories;
 - head a delegation to the Secretary of State for Work and Pensions and Downing Street with the Mancunians to show them the impact that welfare reform is having.
2. To coordinate this with other work to bring people effected by the changes together to campaign.

ESC/13/09 Access to Finance

The Committee received a presentation from the Assistant Chief Executive (Regeneration), along with Richard Jeffery, of the Business Growth Hub, and Paul Breen of Business Solutions, on the support available for businesses to access finance when are starting or growing their businesses. The Assistant Chief Executive (Regeneration) provided an update on developments in this sector since the Committee had last considered it, in October 2011. Manchester Solutions had undergone a review and restructured the delivery of support for businesses. Mark Hughes, previously Chief Executive of the North West Regional Development Agency, was the new Chief Executive of the Greater Manchester Growth Company. The Committee agreed to invite him to a future meeting.

Mr Jeffery gave a presentation on how the Business Growth Hub provides support for businesses to access finance. The Business Growth Hub has an Access to Finance Service, with the purpose of ensuring that small and medium enterprises (SMEs) are ready to access investment and to support them in obtaining appropriate funding. Mr Breen gave an overview of the small loans for businesses that Business Finance Solutions provided. Business Finance Solutions had secured new capital for 2013, which meant there would be an overall fund of £13.9m and investments of £22.9m by 2022. Mr Jeffery told the Committee that there was capital available for new or growing businesses, which they could access once they were investment ready. He said the Business Growth Hub was working on developing links with banks and developed a scheme in which banks would refer businesses to the Business Growth Hub if they were not yet investment ready. Through support provided by the Business Growth Hub, 1900 jobs and 390 new businesses had been created.

A member asked how the Business Growth Hub worked with small and medium enterprises (SMEs) to work with big companies. Mr Jeffery agreed this was a big issue, particularly as many SMEs do not have the resources to take advantage of these opportunities. He reassured members that the Business Growth Hub was undertaking this work, giving the example of the aerospace sector as one which the Business Growth Hub was working with closely to enhance the supply chain. He said the aim was to raise awareness both in big companies and SMES, particularly in terms of what they require and can offer to each other.

A member asked if there was enough funding to support all eligible applicants, or whether some were turned. Mr Breen said the target agreed with the Department for Business, Innovation and Science was for 230 loans. This would be reached earlier than expected, and Business Finance Solutions had enquired whether they can

support more applicants beyond that and whether they would have funding to do so.

Mr Breen clarified that “investment ready” could mean both getting the paperwork for a business in place to show that it was suitable for investment, as well as supporting the business itself so that it was suitable to investment. He said that Business Finance Solutions had a duty to invest public capital and an aim to prevent businesses which are turned down by banks from accessing poor financial capital such as credit cards and loansharks.

The Committee then received a presentation from the Assistant Chief Executive (Regeneration) on the Northwest Fund. The Northwest Fund is a £170m fund for SMEs in the northwest, funded by the European Regional Development Fund (ERDF) and the European Investment Bank (EIB) and managed by Northwest Business Finance Ltd. There were a number of sub-funds tasked with providing the funding to businesses. She explained that there was an issue with the sub-funds identifying businesses which were ready for investment of this kind and which met the very specific criteria. One sub-fund had passed a proportion of its fund back to the NW Business Finance Ltd as it would not be able to allocate all of its fund. Applicants which were not meeting the criteria or ready for investment were referred back to the Business Growth Hub.

A member told the Committee that she was aware of four businesses who had applied for funding from the Northwest Fund, all of which had negative experiences. This included the very narrow criteria and no referrals to other organisations when they were turned down. She said that it was important for the different organisations working in this field to be linked together to ensure that businesses were able to access the finance most suitable to their needs. Mr Jeffery agreed and reassured the Committee that the Business Growth Hub was referring businesses to the Northwest Fund, where appropriate. Organisations involved in the Northwest Fund should be referring unsuccessful businesses back to the Business Growth Hub. He said the restrictive criteria were down to the ERDF. The Leader added that there were management problems at NW Finance Ltd which had resulted in poor performance, which were now resolved.

A member asked how confident the Council was that the remaining funds will be allocated. The Assistant Chief Executive (Regeneration) said this relied partly on the extent to which the Council and the Business Growth Hub can successfully link up with the sub-fund organisations. She said the Council needed to hold fund managers to account. She said the Chief Executive and Deputy Leader were involved in the governance of the NW Finance Ltd and received quarterly performance reports.

The Committee had concerns about the funding that had been handed back to the ERDF as the sub-fund organiser was not in a position to allocate it. The Assistant Chief Executive (Regeneration) confirmed that this funding would remain in the North West, provided that a suitable project could be found. The Council was working closely with the Greater Manchester Combined Authority and the Local Enterprise Partnership to do so.

The Committee thanked Mr Jeffery, Mr Breen and the Assistant Chief Executive (Regeneration) for their presentations.

Decision

To invite Mark Hughes, Chief Executive of the Greater Manchester Growth Company, to a future meeting of the Committee.

ESC/13/10 Localism Act

A report of the Assistant Chief Executive (Regeneration) was submitted to the meeting, which provided an overview of the Localism Act and its potential implications for economic growth, employment and skills in Manchester.

The Committee discussed Neighbourhood Plans, which could be drawn up by a neighbourhood forum and adopted by the local planning authority if they are in line with national and local planning policy and are approved by a local referendum. A member asked whether these could be used to drive economic growth in a local area and give local residents more power over the economic composition of their area. He reminded the Committee that at its previous meeting it had looked at the problem of too many fast food and off licence premises in an area, and wondered whether these plans could be used to address this. He also asked what the Council was doing to support residents to develop these plans. The Interim Head of Regeneration said that there were already district regeneration plans in place across the city, which had been developed with extensive input from local residents, which had led the Council to believe that the potential for application of Neighbourhood Plans in Manchester was probably limited. However, Northenden had a regeneration district plan, but also had some residents who were interested in developing a Neighbourhood Plan, although this was only in the initial discussion stage. Regarding residents having more control over the economic composition of their district centre, the Interim Head of Regeneration was not sure, though given that they had to be in line with national and local planning policy, she thought it was unlikely they would enable this. The Policy and Strategy Manager said that following the adoption of the Council's Local Development Framework Core Strategy a report would be submitted to the Executive on future strategic planning policy development in the light of recent Government policy changes. This report would highlight the potential implications of Neighbourhood Planning on existing planning policy frameworks.

A member asked what the differences between the Community Infrastructure Levy and Section 106 agreements were. The Policy and Strategy Manager clarified that through the Community Infrastructure Levy, the Council could set a fixed levy for different types of development that could be used to fund local infrastructure requirements. The key difference is that it is one fund across the local authority, with the levies pooled, and is not site specific in the way that section 106 agreements are. The Leader said that in the current economic situation it was important not to be overly optimistic about the impact of the Community Infrastructure Levy and there was in fact a risk that an additional levy might put people off carrying out developments.

The Committee felt that the City Deal offered far more opportunities to boost the local economy than the Localism Act itself. Members wanted to revisit the City Deal and determine the role that the Committee can play in feeding into it and influencing

decisions that are made and how they are implemented. A member asked whether negotiations for further devolution of powers under the City Deal were taking place. The Leader said they were, and he had recently been at a meeting along with other Council Leaders from cities with the Prime Minister where discussions had focused on the need for more powers in cities and control over local policies, particularly on skills and supporting businesses.

A member asked whether the Council could publicise or provide advice on the Community Right to Challenge or the Community Right to Bid, which had not had much uptake in Manchester. The Interim Head of Regeneration said that there were so far no formal applications for Community Right to Challenge or Community Right to Bid, although there had been some interest. She said support for community groups would be provided through the Manchester Alliance for Community Care or Blue Orchid, rather than the Council. The Leader added that the government had assumed the implementation of the Localism Act would cost local authorities nothing.

Decision

To revisit the City Deal to look into the role the Committee can play in feeding into it, influencing decisions and influencing how it is implemented.

ESC/13/11 Overview Report

The Committee considered a report of the Governance and Scrutiny Support Unit which provided a summary of the key decisions due to be taken that are relevant to the Committee's remit, an update on actions taken as a result of the Committee's recommendations and the Committee's current work programme.

At a recent meeting, the Council had received a presentation by Professor Neil Anderson on climate change. The Chair asked the Committee if they would like to invite him to a future meeting to revisit the subject of the city's economy in the context of climate change. The Committee agreed, and agreed to request that the report on how the recommendations from the June 2012 meeting have been taken forward be submitted at the same time. The Committee agreed to defer to the Chair the date for this.

A member told the Committee that she had packs of information on apprentices for members to assist them promote apprentices to businesses in the city centre and districts.

The Chair informed the Committee that a report on possible future locations of the scrutiny committee room had been circulated to members. This provided four options:

- Room 127/128 and 130/131 on the Ground Floor of the Town Hall
- Former Members' Common Room in the Town Hall Extension
- The Council Chamber Ante-room in the Town Hall Extension
- The Council Chamber in the Town Hall Extension

The Committee supported the recommendation in the report that the Former Members' Common Room was the most suitable venue. A member asked that, if this

was chosen, televisions are put along the sides of the wall, as if they are only at the end of the room that was too far away. The Leader told the Committee that once the venue was chosen, the scrutiny chairs would be consulted on the layout.

Decision

1. To agree the Committee's work programme.
2. To invite Professor Kevin Anderson to a future meeting of the Committee. To request that the report on how the recommendations from the meeting in June 2012 have been followed up is submitted to the same meeting. To defer to the Chair the decision on when.
3. To support the use of the Former Members Common Room as the new venue for scrutiny committees, and request that the position of the televisions at the bottom of the room is reconsidered.