

## **Economy Scrutiny Committee**

### **Minutes of the meeting held on 14 January 2015**

#### **Present:**

Councillor Green – in the Chair  
Councillors Davies, Hackett, Hacking, Karney, Manco, Moore, Ollerhead, Richards, Shilton Godwin, Simcock, Smitheman, Stogia and Wilson.

Councillor Flanagan, Executive Member for Finance and Human Resources  
Councillor Leese, Leader of the Council  
Councillor S Newman, Executive Member for Children's Services  
Councillor Reid, Chair of the Young People and Children Scrutiny Committee

#### **Apologies**

Councillors Ellison and Raikes

#### **ESC/15/01            Two minutes silence – Paris Massacre**

The Committee observed a two minutes silence in remembrance of the victims of the recent terrorist attacks in Paris.

#### **ESC/15/02            Condemnation of the Budget Reduction**

A member addressed the Committee, condemning the reduction in the Council's budget. He said the impact of the budget reduction on Mancunians of all ages would be enormous as would the impact of the loss of 3500 jobs in the Council. He asked the Committee to support the rally which was being held on 3 February 2015 outside of the Town Hall. The Committee agreed.

#### **Decision**

To support the rally being held on 3 February against the reduction in the Council's budget and the impact it would have on Manchester.

#### **ESC/15/03            Minutes**

#### **Decision**

To approve the minutes of the meeting held on the 17 December 2014

#### **ESC/15/04            Budget 2015-17 – A Strategic Response**

The Committee considered a report of the Chief Executive, the City Treasurer and the City Solicitor. The report set out the implications for the Council of the provisional local government settlement for 2015/16 and identified a strategic framework which guided the development of the budget strategy for 2015/17. The Committee considered this report, along with all six of the scrutiny committees, prior to its

submission to the Executive on 21 January 2015.

A member expressed her frustration with the information in the report, and felt that it was difficult to get an understanding of the implications and consequences of the budget, and whether the detail was being looked at by different scrutiny committees. She said that it was particularly difficult to understand the consequences within the remit of this committee, as it was linked to budgets across the Council and city. She gave the example of expenditure on looked after children (LAC) and people with learning disabilities. In these, Manchester spent more than other comparable local authorities. She said that without the analysis or reasons provided for this, it was difficult to come to a conclusion. She noted that this example was not within the remit of the Economy Scrutiny Committee, but emphasised that there were examples throughout the report, and sought reassurance that each scrutiny committee was looking at those elements within their remits.

The Leader confirmed that each of the scrutiny committees would look at the detail within their remits. He explained that the comparison information that the councillor was referring to did not provide useful detail, but gave guidance of where the Council could look in order to make the necessary savings. The Executive Member for Children's Services added that the Young People and Children Scrutiny Committee looked at LAC regularly and received detailed analysis on it. She said the reason the expenditure for LAC was high was because there were too many LAC in Manchester and they were being looked after for too long. The challenge was to reduce this safely.

The Committee noted the report and endorsed the recommendations to the Executive.

### **Decision**

The Committee endorsed the recommendations that the Executive:

- i. Note the impact on the City as a result of the provisional Local Government Settlement as it affects Manchester
- ii. Consider the Revenue Budget Report 2015/16 elsewhere on the agenda in the context of the overarching framework of this report
- iii. Support the overall direction of travel for dealing with the challenges for 2015/16 and to request officers to produce an updated Medium Term Financial Plan which focuses on 2015/16 and the associated impact on 2016/17.
- iv. Note the process for developing a Medium Term Financial Plan for 2016/17

### **ESC/15/05                      Revenue Budget 2015/16**

The Committee considered a report of the Chief Executive, the City Treasurer and the City Solicitor which proposed a provisional budget for 2015/16. The provisional budget was based on the outcome of the provisional financial settlement and the issues which need to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2015.16. The report also set out the estimated budget position for 2016/17 and the impact decisions made as part of the 2015/16 budget setting process would have on that year. The Committee considered this report, along with all six of the scrutiny committees, prior to its submission to the Executive

on 21 January 2015.

A member asked for more detail on the plans to invest more in elements of the Growth and Neighbourhoods Directorate in order to make savings later, for example waste and recycling, and whether there were plans to do so in other parts of the directorate. The Leader explained that the options for the Neighbourhood and Regeneration budgets that had been proposed in the report considered at the November 2014 meeting had outlined reductions of either 20% or 10%. He said that the Executive was now minded to reduce this budget by 6%, which was the maximum that could be achieved through efficiency savings and would mean not reducing the service at all. In terms of the Committee's remit of economic growth, its interest in neighbourhood services was in terms of making Manchester attractive to live in, so that businesses were attracted to base themselves in the city. He added that the Executive was minded to not propose the tiers 2 and 3 options for the Corporate Core, apart from financial management, outlined in previous papers on the budgets, as if these proposals were taken forward, as these would result in risks to the Council.

A member expressed concerns over the level of reduction proposed for the Youth and Play fund. She acknowledged this was the remit of the Young People and Children Scrutiny Committee, but said there was a risk of young people becoming disconnected from their futures if they were not engaged at that age. The Executive Member for Children's Services told the Committee that the Young People and Children Scrutiny Committee had discussed this in detail the previous day. She explained that the original proposed reduction in the budget had been reduced significantly. The provisional proposed budget would be enough to commission services and there was no intention to reduce services, although they would be reviewed. She explained the budget reductions would be to advice and guidance and for the larger youth hubs. The young carers' provision would also be reviewed to focus more on engagement and skills development rather than recreational activities.

The Leader added that at the meeting of the Strategic Education Partnership the previous day, the Manchester College, universities and other partners had proposed doing more out of school support for young people. He also reassured the Committee about the economic prospects of young people in Manchester, noting that outcomes at key stage 3 were now in line with the national average and key stage 4 only slightly behind the national average and that Manchester had more good and better schools than average. The Chair added that Manchester Adult Education Service and Manchester College were both rated "good" by Ofsted.

The Committee endorsed the recommendations to the Executive as set out in the report.

## **Decision**

To endorse the recommendations that the Executive:

- i. Note the outcome of the provisional Local Government Financial Settlement.
- ii. Note the proposals in this report for bringing forward a balanced budget for 2015/16.

- iii. Note that this draft budget is still subject to consultation and that following the outcome of the public consultation process, decisions on the revenue budget 2015/16 and the related impact on the budget position for 2016/17 will be taken by Council in March 2015.
- iv. Note that detailed Reports from individual Strategic Directors (Directorate Reports) and the proposals for service and expenditure changes will be reported to Executive in February 2015.
- v. Note that the report contains a proposal to invest £14m from reserves in the Children and Families Directorate. The February Budget report will recommend a delegation to the Chief Executive and City Treasurer in consultation with the Executive Members for Finance and Human Resources and Children's Services to draw down the monies in accordance with the budget plans and to note that the phasing of the draw down between financial years may change as part of this process.
- vi. Consider as set out in this Report the budget proposals for 2015/16, proposals for 2016/17 that can be agreed as part of the 2015/16 budget setting process and the impact on the 2016/17 budget position.
- vii. Note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves

[Councillor Hacking declared a disclosable pecuniary interest in this item and left the meeting for the duration of the discussion]

## **ESC/15/06 Follow up information on Budget Reports**

At its meeting in December, the Committee identified a number of areas within the budget which it wished to look at in more detail. It considered each of these in turn.

### **A – Income Generation**

The Committee discussed the information provided on how the Council currently generates and plans to generate income.

A member asked why the report did not go into detail about how Manchester Council compared to other local authorities. The Commercial Director explained that local authorities chose to generate income in very different ways, so directly comparing them was not useful. For example some authorities chose to put advertising on their website, but it was felt at Manchester Council that this did not enhance the experience of the user or increase usage of the website and therefore was not something pursued. He confirmed that Manchester did very well at generating income.

The Committee discussed the opportunity described by the Commercial Director for either Manchester Council or the Greater Manchester Combined Authority (GMCA) to enter the energy market. He explained this was complementary to other ambitions of the Council as well as an opportunity to generate significant funds. The Committee agreed that this should be scrutinised in more detail, noting that it was a specific matter of what action the Council or GMCA could take, although it could have significant implications for the city's economy. The Committee recommended that the Chair discuss with the Chair of the Finance Scrutiny Committee the best way to

scrutinise this matter. A member noted that it was an ongoing challenge to determine the best way to scrutinise items which related to more than one committees' remit.

A member asked whether employees in the department had sufficient commercial acumen. The Commercial Director reassured the Committee that it did. Some employees, including the Commercial Director, had been brought in from the private sector for this reason, and the managers in the Business Units had taken the department through considerable changes and did a very good job.

The Committee noted the information in the report.

## **B – Reform and Innovation**

The Committee considered the report on Reform and Innovation, which described the three options for how the team would be organised and the differences between the options. The Committee felt that it was difficult to understand what the differing impact each of the three options would have from the report, and asked officers to go into more detail.

The Strategic Director (Reform) explained that the proposed new service would work in a fundamentally different way from the current transformation team. Because of the devolution arrangement and the Combined Authority it was difficult to accurately compare Manchester to other councils. The options were based on consideration of what Manchester would need in terms of resources and capacity, and that the team would work across the Council. The team would be a small core function working with senior managers to challenge their ways of working. The options were to either scale back to 19 or 14 members of staff, from the current 32. The new team would be different and would focus more on analytical support, commercial acumen and using relationships with think tanks and national leaders.

The Head of Reform explained that if the team had the greater capacity it would be able to drive the public service reform programme across the Council and partners at a greater pace. The Leader said that of the three options in the report, his view was that the starting point was option 3 and that he could be convinced that option 2 was feasible, but not option 1. He added that it made more sense for the team to work from the Corporate Core, rather than in directorates.

A member asked if the team was duplicating any work that New Economy did. The Leader reassured the Committee that it was not, as while New Economy would do some support work, it was not in a position to drive the public service reform work.

The Committee noted the information in the report.

## **C – Neighbourhood Focus**

The Committee considered Neighbourhood Focus and the implications for worklessness. A member noted that neighbourhood teams were crucial in encouraging residents to recycle more, so if these teams were reduced it would make it more difficult to achieve this priority. The Leader explained that the option proposed was to centralise the services, but retain the same level of service capacity

at a local level. The options did not propose any reduction beyond service efficiencies.

The Committee supported the proposals in the report.

### **D – Early Years in terms of its impact on Worklessness**

The Committee then considered Early Years in terms of its potential impact on worklessness. The Committee welcomed Councillor Reid, Chair of the Young People and Children Scrutiny Committee to the meeting. She gave her views on Early Years, noting that in parts of the city it was difficult to access the 25 hours that schools in Manchester provided.

The Executive Member for Children's Services explained there were three pilot areas for the Early Years New Delivery Model which the Council was developing jointly with the NHS. The main aim was to improve outcomes for children in early years. She explained the offer was complicated and the Council no longer directly provided day care.

The Committee accepted the option in the report.

### **E – Manchester Adult Education Service**

This section of the report was considered under ESC/15/07 Manchester Adult Education Service (MAES).

#### **Decision**

To recommend that the Chair discuss with the Chair of the Finance Scrutiny Committee the best way to scrutinise the opportunity for Manchester Council or the GMCA to enter the energy market.

#### **ESC/15/07                      Manchester Adult Education Service (MAES)**

The Committee considered the MAES section of item ESC/15/06 Follow up information on Budget Reports under this item. The Committee noted the information in the reports.

#### **Decision**

To note the information in the reports.

#### **ESC/15/08                      Tax Avoidance**

The Committee considered a report of the Strategic Director (Strategic Development) which provided an update on ActionAid's Towns Against Tax Dodging campaign.

The Committee considered the best way to take this matter forward, for example promoting it to other local authorities and lobbying the government to change the law. A member suggested that members consider submitting a motion to Council. He

offered to meet with the members who were keen to pursue this to discuss how to take it forward. The Committee agreed to this.

The Executive Member for Finance and Human Resources agreed with the Committee, but suggested the motion should go further. He said the Council did not work with contractors who avoided paying tax, but making a policy or statement to that effect would not necessarily address other loopholes, such as subcontractors. He said that the Council should use the knowledge it had to be cleverer about this and pay to contractors who contribute to society. The Committee agreed that the Council should go further than the options outlined in the report.

A member pointed out that many of the loopholes in tax avoidance could only be closed at the European Union (EU) level. She said that the European Parliament had had the opportunity to close some of the loopholes, but the UK government had consistently undermined this. A member suggested that ultimately the matter would become about consumer choice, and the Council had a role to play in encouraging consumers to make better choices and take joint action with local businesses.

The Leader agreed that the European level was where things needed to change, but pointed out that companies would always pay as little tax as possible so the moral aspect should not be the focus. He noted that there were some organisations which provided a service that the Council needed and there were no alternatives which did not have the same tax practices. He said there was little the Council could do directly, but it could lobby the government and EU, especially with other councils.

The Committee felt there was a strong desire to take this further, starting with a motion at Council, and requested that key members carry this out.

### **Decision**

To request that Councillor Karney meet with interested members to determine the best way to take this forward.

### **ESC/15/09                      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 its remit, an update on actions taken as a result of recommendations and the current work programme. The Chair informed the Committee that the Chief Executive was no longer able to attend the February or March meetings, and that she had asked for his attendance to be arranged for as early in the next municipal year as possible.

The Scrutiny Support Officer informed the Committee that the survey on scrutiny previously run in May was being carried out again and encouraged members to respond.

### **Decision**

To agree the work programme.