

## **Economy Scrutiny Committee**

### **Minutes of the meeting held on 19 July 2017**

#### **Present:**

Councillor Richards– in the Chair

Councillors Davies, Hacking, H Priest, Raikes, Razaq Shilton Godwin and A Simcock

Councillor Leese, Leader

Councillor Stogia, Executive Member for Environment

#### **ESC/17/25            Urgent Business**

The Chair introduced an item of urgent business by informing the Committee that she had Called in a decision taken by the Chief Executive and sought the Committees agreement to the consideration of this item under urgent business

#### **Decision**

To accept the consideration of the Call In under urgent business.

#### **ESC/17/26    Minutes**

#### **Decision**

To approve as a correct record the minutes of the meeting held on 20 June 2017.

#### **ESC/17/27    Call In: Grant 150 year over-riding lease for the second and third phases of development at Bentinck St/Chester Rd Hulme**

On 10 July 2017, the Chief Executive made the decision to grant a 150 year over riding lease for the second and third phases of development at Bentinck Street/Chester Road, Hulme.

This decision had been called in accordance with paragraph 13.3 of the Scrutiny Procedure Rule by Councillors Richards, Chair of the Economy Scrutiny Committee.

The terms of the Call in were: “to clarify the conditions of the lease, in particular, in relation to the number of affordable homes on the site, given the Council's stated ambition of building 2000 affordable homes a year.”

The Chair expanded on the reasons why the decision had been called in. These included concerns that had been raised by Ward Councillors and Councillor Leech around the lease and the number of affordable homes on the site.

The Committee agreed to allow Ward Councillors and Councillor Leech to briefly outline their concerns. Councillor N Murphy, Ward Councillor, asked what conditions around affordable homes the Council could attach when granting leases for housing development.

Councillor Leech raised concerns in relation to proposed housing being developed for purchase as opposed to rent, as if there was to be an affordable element to the development it would not be for affordable rent. He argued that he believed there was a substantial shortage of the number of affordable homes to rent across the City, and that as the Council owned the land that the housing would be built on, the Council should be able to stipulate the percentage of affordable homes to be provided. He requested that the Committee considered putting forward a recommendation to the Decision Taker that the lease should not go ahead without a condition attached whereby a proportion of homes that were to be built were for affordable rent.

The Committee then welcomed the Director of Housing, who informed the Committee of the rationale behind the decision. He explained that the site already had a 75 year lease attached to it, in the name of the developer, and that the decision to grant a 150 year lease was in effect, an extension of the existing lease. He advised that had the lease not been extended, then the developer would not be able to deliver phases two and three, which in turn would impact on the provision of quality housing in, or on the fringes of the City Centre. He also explained that the Council had recently approved the development of an affordability fund where the Council could chose to place funding received from various related sources eg planning sec 106, leases, land receipts and other order to enable it to make decisions as to where it could subsidise future or existing developments to enable the affordability of houses to be improved.

The Chair invited the Leader of the Council to address the Committee on the issues that had been raised. The Leader of the Council informed the Committee that the Council was still regenerating the area of Hulme, a process which had commenced some 26 years earlier, in order to provide an appropriate balance of housing in the area. In terms of housing need, the City had a need for more of every type of housing and price point. If the type of housing on the site in question wasn't provided, it would impact on other areas of the City, forcing prices to rise and subsequently forcing people out of the City, who in turn would cease to contribute to the amenities of the City. As the developer already had a lease for the site, it was not possible for the Council to impose conditions or constraints. He also advised that the decision taken did not have any relevance to the number of affordable homes that would be built on this site and the issue of affordable homes could be addressed through subsequent planning applications, which would be considered by the Council's Planning Committee.

The Chair then opened up the debate to Members. A Member sought clarification as to whether there was any opportunity to renegotiate the terms of the lease that had already been issued to the developer. The Senior Development Surveyor advised that any proposed changes to the terms would need to be mutually acceptable by both the Council and the developer.

A Member asked if it was the intention of the Council to retain the freehold of the lease throughout the term of the lease.

The Senior Development Surveyor advised that the Council would be retaining the freehold interest of the land throughout the term of the 150 year lease and any ground rent was to be paid by the developer and not the occupiers of the properties.

A Member asked whether consideration had been given to offering a 99 year lease rather than a 150 year lease. The Member sought assurance that any revenue raised from the lease would be reinvested into affordable housing.

The Senior Development Surveyor advised that a 99 year lease would not normally attract commercial funding from the market compared to a 150 year lease. The Director of Housing and Regeneration advised that the revenue from the lease would be put into the Council's General funds. Decisions on how much funding was then placed in the Affordability Fund was one for Members to determine together with how it would be deployed to areas across the City.

A Member asked what consultation had taken place with members of the community and other businesses in the area and what was the average price for a property in the area.

The Ward Councillor advised that the average price of a property in the area was approximately £250,000 for a three bedroom house. The Director of Housing and Regeneration advised that consultation with local residents would have taken place at the planning stage of the development.

The Chair advised Members that the Committee needed to agree whether to refer the decision back to the decision maker for reconsideration, refer the matter to the next meeting of Council if it felt that the decision was contrary to the policy framework or was not in accordance with the budget, or to endorse the decision taken by the Chief Executive.

**Decision:**

1. To endorse the original decision of the Chief Executive;
2. To recommend that as part of the Committees scrutiny of Inclusive Growth, a broader scope of strategic development is incorporated into this;
3. To request that an item on the Council's Affordability Strategy is added to the Committee's work programme; and
4. To agree, that following consultation with the Chair of the Neighbourhood and Environment Scrutiny Committee and the Chair of the Resources and Governance Scrutiny Committee request, that the Council's Affordability Fund is scrutinised by the relevant Scrutiny Committee.

**ESC/17/28 Outcomes of the Queen's speech and the impact of this on Manchester's Economy**

The Committee received a report of the Deputy Chief Executive (People, Policy and Reform), presented by the Head of Policy, Partnerships and Research, which set out the potential impact of the Queen's Speech on the economy of the city.

The report explained that the speech outlined the Government's legislative agenda for the forthcoming parliamentary session which the Government had announced would span two years instead of the usual one. The speech had included 27 bills and draft bills, of which eight were Brexit focused, the details of which were contained in the report. The Leader of the City Council and the Mayor of the Greater Manchester Combined Authority had both publicly stressed the importance of Greater Manchester and other English Regions being given a prominent voice in the Brexit negotiations which had now formally commenced.

It was reported that the Local Government Finance Bill had been progressing through Parliament before the June General Election and provided the legislative framework for the introduction of 100% Business Rates Retention and other rates policy and regulation, and included a review of funding distribution. This Bill had been omitted from the Queen's Speech, leaving many issues relating to Local Government finance outstanding.

The Committee was also made aware of the emerging evidence on the impact of the vote to leave the EU on the City. The Combined Authority produced a monthly Brexit Monitor which tracked a series of key indicators as well as reporting on any qualitative information. The most recent monitor had highlighted evidence of a sharp rise in living costs coupled with low or stagnant wage growth. At a wider level, the pace of growth in the economy had slowed in the last quarter and for the first time in a year, growth in the UK had failed to outperform the position in the Euro area. It was reported that the performance of the City economy over the last year had broadly mirrored the national and Greater Manchester position albeit with some slight differences.

For Manchester, the Queen's Speech was more notable for what it omitted than what it contained. It set out no plans for further devolution and made no reference to new transport investment in the region, such as the Northern Powerhouse Rail proposals. The uncertainty about local government finance made planning for the future more difficult.

Some of the bills, such as the draft Tenant Fees Bill and Domestic Violence and Abuse Bill could have a positive impact on the Council's priority to address homelessness in the City. Much of the increase in homelessness had come from people evicted from the private rented sector and from victims of domestic violence. Measures to address these issues were welcomed by Officers.

A Member asked whether the Automated and Electric Vehicles Bill would have any influence the planning process to include the need for charging points for electric vehicles/hybrid vehicles on future planning applications.

A Member raised concerns about the possible impact on increased rents for private sector tenants via landlords transferring any loss of turnover arising from the draft Tenant's Fee Bill. The Member asked what the implications of this Bill would be on the Council's housing and homelessness strategies.

The Head of Policy, Partnership and Research advised that at the current moment, there had been no detail released in relation to both Bills and until more detail was released it was too early to speculate the impact and effect of these Bills.

A Member sought clarification as to whether the proposed 2% Business Supplement would still be available to the Greater Manchester Mayor and if not, what impact would this have on the region. The Member also asked whether there was anything the City could do to prepare for the economic consequences of Brexit.

The Leader advised that the 2% Business Supplement was part of the devolution agreement Government had made with the Greater Manchester Councils. If this was not delivered then this would be a breach of the terms of the devolution agreement by the Government. Discussions would be taking place to identify what mechanisms would be put in place to ensure Government upheld this part of the devolution agreement. In terms of Brexit, the Leader advised that both the Greater Manchester Mayor and himself had made demands to Government for inclusion on the Brexit negotiation mechanisms.

A Member asked what work was being done to ensure the proposals under the omitted Local Governance Finance Bill would still be delivered and whether the Council's three year budget plan had been based on the assumption that the Council would be retaining 100% of the Business Rates it collected. The Member also asked what the timescale for HS2 was for coming into the City.

The Leader advised that Greater Manchester was still planning to pilot the 100% Business Rate retention scheme. It was not expected that 100% Business Rates retention for all Councils would come into effect until 2020. The Council's three year budget had not factored in any potential receipts from the pilot or increased Business Rate growth. The current pooling arrangement for Business Rates that Greater Manchester had in place would continue even if the pilot did not come into effect. In response to a question about the timescale for completion for HS2, he advised that the contract for phase 1 of HS2 had now been awarded, with an anticipated completion date of 2019. Phases 2a (West Midlands to Crewe) and 2b (Crewe to Manchester) would be completed in 2026 and 2033 respectively.

**Decision:**

To note the report.

**ESC/17/29 Working to Deliver Inclusive Growth in Manchester**

The Committee received a report of the Strategic Director (Development), presented by the Head of Work and Skills, which detailed the findings of the Royal Society for Art's (RSA) Inclusive Growth Commission's final report in delivering Inclusive Growth, its implications for Manchester, and how the Council could further the objective of delivering more inclusive growth within the City.

It was reported that Manchester's economy had continued to thrive in recent years. However, the positive effects of Manchester's economic growth had not been felt by

all residents. There was a large wage gap between the average wages earned by people working in the city and the wages earned by city residents.

The Commission's findings stated that to ensure economic growth worked for everyone, a new model of Inclusive Growth was needed which tackled inequality and deprivation via strong social investment. The Commission had made four sets of recommendations to business, central and local government and civil society to enable a whole-system approach to be taken to achieve inclusive growth which were detailed in the report.

The Committee welcomed Professor Ruth Lupton, Head of the Inclusive Growth Analysis Unit (IGAU) at Manchester University, who provided an update on the work of the IGAU since their last report to the Committee in November 2016 (ref ESC/16/51). The IGAU had staged a major Fair Growth conference in November and had been trying to advance work with Greater Manchester Anchor Institutions (including Universities). A lot of the Units activity had been around publication of policy briefings, on areas such as education, entrepreneurship, employment charters and community banks, in order to explore what the Greater Manchester Mayor could do in terms of delivering Inclusive Growth based on light touch reviews of other cities both nationally and internationally. The Unit had also updated the Joseph Rowntree Foundation monitor, which included measures of Inclusive Growth.

The Head of Work and Skills outlined the activity the Council had been involved in working towards delivering Inclusive Growth, which included the Our Manchester Strategy, the Our Manchester Approach, the Family Poverty Strategy, the Manchester Work and Skills Strategy 2016/21 and Curriculum for Life amongst others. The report also detailed the challenges that still faced Manchester in delivering Inclusive Growth which included low skills, low wages and the percentage of residents in part time employment.

A Member commented on the positive effect the increase in weighting of Social Value had already had on procurement by the Council. The Member suggested that this model be shared with the Anchor Institutions.

A Member asked what was being done to support those employed in low paying sectors, such as retail, hospitality and cleaning, in order to deliver skill and wage progression.

A Member asked how the Council intended to get the Private Sector to engage in Inclusive Growth.

The Leader advised that a lot of the larger national retailers had good training and career progression opportunities in place. The challenge in retail was with smaller, independent employers which were often family run businesses. There was shared concern within the Chamber of Commerce in relation to those businesses that had a model of low value/high turnover as these businesses did not contribute to the economy of Greater Manchester. There was a lot of private sector support to change their business models to become a high value added model which in turn would lead to higher wages for employees.

The Head of Work and Skills advised that the Council paid its staff, as a minimum, the living wage and also requested all of its contractors to pay this as a minimum.

A Member commented that from a Manchester perspective, the findings of the Commission were not particularly positive in terms of Inclusive Growth and asked whether there was anything surprising in these findings. The Member made reference to the proposals surrounding Curriculum for Life and challenged whether these proposals were actually something new.

The Leader commented that the findings of the Commission did not contain anything that was surprising. The findings were beginning to get traction at a government level and he commented that Manchester had improved its performance in delivering Inclusive Growth and referenced employment, average wage rates and educational outcomes in the city as positive examples. The Leader advised that Curriculum for Life was high on the agenda of the Youth Parliament and Young People's Council's and was very different to the type of life skills that were previously taught to young people. A framework had been developed to deliver a curriculum for life from ages three to 19. The Council was working with those schools that wished to take on this approach and pilot these arrangements.

A Member asked what progress was being made to paying a living wage to those who were employed within the Social Care sector. The Member commented that as a Council, Officers and Elected Members should be considering Inclusive Growth as an analytical measure and incorporate it into all aspects of work, akin to Social Value.

The Head of Work and Skills advised that the Council had not yet procured its Adult Social Care contract. Work was ongoing to procure the Local Care Organisation which would aim to provide better opportunities for those employed within the Adult Social Care sector.

A Member asked whether the Council should consider incorporating Inclusive Growth into the development of health and social care provision under the devolution arrangements.

The Leader advised that there was a strong correlation between work and health and inclusivity and it was as much a local issue as it was a Greater Manchester issue. Work in this area was ongoing and being developed.

The Executive Member for Environment advised the Committee of the work she had been involved with around delivering Inclusive Growth across Greater Manchester, as part of her role as deputy to the GMCA lead for Fairness, Equality and Cohesion.

**Decision:**

1. To note the report;
2. To request that Officers give consideration as to how Inclusive Growth can be incorporated into all reports that come to future meetings of the Committee;

3. To note that Curriculum for Life will be an area that is looked at as part of a joint meeting with young people which will take place in October or November;
4. To agree to look in more detail at the indicators and measures of Inclusive Growth at a future meeting; and
5. To request that Officers explore the possibility of having a standing invitation to a member of the IGAU to all future meetings.

[Councillor Raikes declared a personal and non-prejudicial interest in this item as his employer is on the Advisory Group of the Inclusive Growth Analysis Unit].

### **ESC/17/30 Working Well and Work and Health update**

The Committee received a report of the Head of Work and Skills, which provided an update on the Working Well Pilot which supported Employment Support Allowance claimants who had completed two years on the Work Programme without moving into employment, and the Working Well Expansion which built on the Working Well Pilot to support a wider range of benefit claimants. The report also provided an update on progress with the co-commissioning of the Work and Health programme between the DWP and the GMCA as part of the GM Devolution Agreement and the plans for further integration of work and health services.

The Committee welcomed and heard from representatives from Big Life and Manchester Growth (Work) Company as lead providers of the Working Well programmes in Manchester and Pathways CiC, who delivered the GP referral route into Working Well Expansion.

A Member commented that the results of the Working Well Pilot had not been as successful as what had been anticipated. The Member asked what analysis had been done to gain an understanding as to where the difficulties had been against the performance forecasts.

Paul Cookson from Big Life acknowledged the underperformance of the programme. He advised that there had been a number of learning points, one being around early leavers of the service due to deteriorating health conditions and another being people who had been out of work for some time who now faced multiple barriers in order to return to employment. Big Life was now ensuring that any individual who left the programme early was referred to another service that could help them into employment and Big Life now reviewed its action plan on a weekly basis.

Michelle Leeson from the Growth Company advised that one of the major challenges they had faced was a lack of a consistent and steady referrals which had impacted on the ability to plan effectively. To address this they had introduced a post of a Key Worker to work alongside Job Centres to ensure that the most appropriate people were referred to the programme.

A Member asked how service users were going to play a part in the evaluation of the pilot and could the Committee see their feedback/insights as to why the programme was not as effective as anticipated. The Member sought clarification as to who would be undertaking the evaluation. The Member also asked what the impact of



Brexit and subsequent withdrawal of European funding would mean for this scheme. The Member asked a further question as to whether there was any more information on the design of the work and health programme taking into account lessons learnt from the pilot

Grace Watson from the Growth Company advised that SQW were co-ordinating the evaluation of the service with Talking Therapies who were collecting data around mental health. The Head of Work and Skills agreed to forward this evaluation onto Committee Members. Further evaluation would be undertaken across Greater Manchester with the support of the Manchester Metropolitan University to gain a better understanding of what the health benefits were from this programme and why the programme worked well for some participants but not for others. It was unknown at present what would replace ESF Skills funding, which currently funded the Skills for Employment programme, so it was important that the Council maximised the impact of this programme whilst funding still existed.

A Member asked what work was being done to support BME communities and their differing requirements and needs in order to integrate into society and contribute to the City's economy.

Alex Huts from Pathways CiC advised that her organisation recognised the importance of having connections within communities and advised that their key workers were actually representatives from various communities who understood the challenges facing local residents in seeking employment. The Executive Member for Environment advised that in terms of providing support to BME communities, this could only be provided to those who presented themselves to Job Centre Plus

A Member asked what work was done with employers around expectations and support for service users.

Grace Watson advised that to some degree it was dependent on the service user as to the involvement the service had with an employer. Some customers wanted support and in these cases the employment engagement team would provide any associated support that was required, however some service users did not want their employers being contacted.

A Member asked whether the City had enough capacity of qualified staff to deal with those with significant mental health issues and whether there had been engagement with clinical providers. Alex Huts advised that a lot of the clients were suffering with mental health issues and support was tailored to the individual.

The Chair thanked all the representatives for attending and contributing to the Committees debate.

**Decision:**

1. To agree that the Committee considers a further report on the Working Well programme at a future meeting which will include more information on:-
  - a. The work that was being done with employers

- b. The supply of work opportunities for service users
- c. The views of service users as to how well the service performed
2. To request Officers explore the opportunities for the Committee to meet with Service Users to discuss their experiences of using the service; and
3. To request Officers circulate the evaluation of the pilot by SQW.

### **ESC/17/31 Overview Report**

A report of the Governance and Scrutiny Support Unit was submitted. The overview report contained key decisions within the Committee's remit, responses to previous recommendations and the Committee's work programme. The Committee was asked to agree the work programme.

A Member requested that an item be included on the work programme around the impact of housing on the economy, with specific reference housing ownership, the housing rental market and pressures on house prices.

A Member requested that Officers consider how they could incorporate reference to Inclusive Growth in future reports.

The Chair requested that the Scrutiny Team Leader investigate the possibility of co-opting a representative from the Inclusive Growth Analysis Unit onto the Committee.

### **Decision:**

1. To note the report;
2. To agree the work programme, subject to the inclusion of an item on the impact of housing on the economy; and
3. To request the Scrutiny Team Leader investigate the possibility of co-opting a representative from the Inclusive Growth Analysis Unit onto the Committee.