

## **Resources and Governance Scrutiny Committee**

### **Minutes of the meeting held on 24 May 2018**

#### **Present:**

Councillor Russell - in the Chair

Councillors Ahmed Ali, Andrews, Barrett, Clay, Davies, Kilpatrick, Lanchbury, Moore, B Priest, Rowles, A Simcock, Watson and Wheeler

Councillor Ollerhead, Executive Member for Finance and Human Resources

#### **RGSC/18/20 Minutes**

#### **Decision**

To approve as a correct record the minutes of the meeting held on 1 March 2018

#### **RGSC/18/21 Review of the Council's Capital Outturn position 2017/18**

The Committee considered a report of the City Treasurer, which informed Members of the outturn of capital expenditure and financing for 2017/18, the major variations between the 2017/18 outturn and previous monitoring reporting in February 2018 and the commitments to be carried over into the five year Capital Programme 2018/19 to 2022/23.

The City Treasurer referred to the main points in the report, which included:-

- The revised capital budget for the six years from 2017/18 to 2022/23, before changes proposed at outturn, was £1,970.3m and included projects totalling £1,633.4m for the city council and £336.9m on behalf of the Greater Manchester Combined Authority (GMCA);
- There had been an increase to the capital budget of £17.8m compared to the budget position reported to Executive in February 2018;
- The Capital Outturn for 2017/18 was £291.2m, compared to the Capital budget of £366.2m;
- Expenditure on capital schemes in 2017/18 was £75m less than the previously reported to Executive in February 2018. The variance was £51.2m for the City Council programme (predominantly due to the Strategic Development capital programme which included strategic acquisitions which were delayed into 2018/19) and the variance for the Greater Manchester Programme was £23.8m;
- An analysis of expenditure in relation to the Capital Programme (including projects for Greater Manchester) and details of the variances by service areas; and
- It was proposed that the Capital Programme budget was re-phased to reflect the planned delivery of projects in 2018/19 to 2022/23

Some of the key points that arose from the Committees discussions were:-

- Could consideration be given to speeding up the process for implementing Highways maintenance as in previous years it had taken to the third quarter of the financial year before spend had been approved and the work carried out;
- Who was ultimately responsible for the over or underspend of capital budgets;
- Members requested further details on the Extra Care Projects, Carbon Reduction Programme and Sustaining Key Initiatives as listed in the report;
- Reassurance was sought in terms of the procurement relationships between the Council and developers, specifically in relation to social housing projects;
- Clarification was sought in relation to the spend on the Factory project;
- Further details were requested on the Mayfield Equity, which was a one off acquisition of share capital with a corresponding disposal at the same value of £4.0m;
- Would it be possible to bring forward the proposed spend by Northwards for Smithfields estate to the current financial year;
- Clarification was sought on the variance of the final outturn position of the Redrow Development;
- Members requested details on emergency spending outside of the normal procurement process in future reports; and
- Could there be more investment made in CCTV provision by Northwards.

The City Treasurer advised that the accountability for over or underspend in capital budgets rested with the relevant Strategic Director or SRO for a particular programme. It was explained to the Committee that the Extra Care Project related to two schemes which were underway and the spend was in place to support a gap in funding to allow the programmes to be delivered. The Carbon Reduction Programme related to numerous schemes the Council was implementing, including the use of solar panels and a combined heating network. In terms of Sustaining Key Initiatives, this was a stream of funding to allow for flexibility in the capital programme for projects that may come through during the year.

The City Treasurer confirmed that all relationships between the Council and developers went through a robust procurement sign off process to ensure that these relationships were clear and transparent.

The City Treasurer advised that there was no underspend planned against the Factory Project and agreed to provide an update on the Mayfield Equity to the Committee following the meeting. Officers advised that enquiries could be made with Northwards to see if the proposed spend for Smithfields estate could be brought forward. Officers also agreed to feedback the Committee's comments on CCTV provision to Northwards.

## **Decision**

The Committee

- (1) notes the report;
- (2) endorses the recommendations to the Executive to:-
  - note the outturn of capital expenditure for 2017/18 is £291.2m.

- note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2018.
  - approve the budget transfers between capital schemes to maximise use of funding resources available to the city council.
  - note the decisions of the City Treasurer regarding the funding of capital expenditure in 2017/18.
  - note the impact of final expenditure in 2017/18 on the revised Capital Programme 2018/19 to 2022/23.
- (3) requests for a report on the use of emergency spending outside of the normal procurement process be submitted to a future meeting of the Committee;
- (4) requests that in future reports, details of the original budget positions are provided, not just the variance position; and
- (5) requests Officer to provide clarification to Committee Members on the Redrow Development variance position.

### **RGSC/18/22 Review of the Council's Revenue Outturn position 2017/18**

The Committee considered a report of the City Treasurer, which informed Members of the revenue outturn position for 2017/18.

The City Treasurer referred to the main points in the report, which included:-

- The variance to the Council's budget was an overspend of £2.696m. This was an improved position of £1.899m from the position last reported of £4.595m overspend;
- The resources to support the Revenue Budget were £4.875m higher than budgeted due to:-
  - additional dividend income;
  - higher than budgeted grants;
  - the non-requirement to use Council Reserves; and
  - fortuitous income from a number of sources.
- The spend against Corporate budgets was £2.692m less than budgeted for due to:-
  - an underspend in the Council's Contingency budget;
  - remaining balances on budgets yet to be allocated;
  - areas of budget growth not required in 201/18;
  - levies being lower than budgeted; and
  - an underspend in historic pension costs;.
- The General Fund reserve position at 1 April 2017 was £26.226m. The 2017/18 budget assumed there was a call on the General Fund reserve of £0.525m leaving a balance of £25.701m;
- Whilst the overall overspend position was lower than that previously forecast, this was due to additional fortuitous income and the release of contingencies that were not required;
- There were continued pressures on the budgets for Children's and Adults Social Care and early action would be required in 2018/19 if a balanced budget was to be achieved;

- The Housing Revenue Account (HRA) outturn position was a £24.112m favourable variance, an increase of £5.597m from the position previously reported; and
- Cost pressures and key risks would continue to be addressed throughout 2018/19.

Some of the key points that arose from the Committees were:-

- Was it appropriate for the Council to be selling its land assets outright, rather than on a leasehold basis;
- How much further borrowing capacity does the Council have, and were we using as much of it as possible;
- Had there been any assessment on the potential impact to District Centres on the increase in Business Rates;
- Was there any additional funding which the Council could secure to improve the highway network;
- Was the Council doing anything to call for longer term funding settlements from government;
- What was the Council's position in mitigating the use of its reserves;
- What was the Council doing to address the staffing underspend in certain areas of the Council;
- What was the amount allocated to meet the cost of backdated payments for sleep in provision for care providers;
- Concern was expressed with the level of overspend in relation to fostering provision; and
- How much capital had been spent on the refurbishment of Heron House and how is the changing profile impacting on the Council's revenue budget?

The City Treasurer advised that in terms of selling its land assets, any decision the Council took needed to be driven by a strong financial return and the best use of the land. In terms of its borrowing, there were certain constraints which the Council had to adhere to, specifically around prudential borrowing. The Council also operated a ceiling limit to its borrowing to ensure that its level of borrowing was not unreasonable and to ensure that in the long term, the revenue budget wasn't overstretched with loan repayments.

In terms of the impact of Business Rates on District Centres, the City Treasurer advised that it was a difficult area to manage. There was protection for small businesses who would be exempt from paying business rates and the council had a discretionary support scheme, but the threshold to receive this support was quite high. The Committee was advised that £100 million had been committed to investing in improvements to the Highways network.

The City Treasurer advised that at the current moment there was uncertainty as to what funding would be available, if any, from government beyond the current financial settlement agreement. In terms of the use of Council Reserves, the majority of the money the Council had held in reserves was earmarked for future spend. Some covered risks for which the Council self-insured. The amount that was left following this allocation was known as the General Fund Reserve and would be at

around £22 million which was considered an appropriate amount given the Council's overall budget of £595 million.

The Executive Member for Finance and Human Resources commented that it was important for Elected Members to understand that the General Fund Reserve did not get replenished, so any decision to use this money needed to be taken carefully. He also commented that he was continuing to hold budget challenge meetings for those areas that were overspending and would also be looking at those areas that were balancing budgets or underspending.

The City Treasurer advised that in terms of addressing staff underspend, the Council had a clear strategy to address this with an emphasis on workforce development. It was acknowledged that it had been difficult to recruit to certain positions, such as Social Work and Early Years, which had resulted in the use of agency staff. In terms of the allocation for sleep in provision, it was reported that this would equate to £2 million and was for contract staff, not Council staff.

In terms of Heron House, it was reported that the office market within the City was buoyant and a secure tenancy had been agreed with a high profile client and it was expected that the revenue income for the building would be higher than originally anticipated.

## **Decision**

The Committee

- (1) notes the report;
- (2) endorses the recommendations to the Executive to:-
  - note the outturn position for 2017/18;
  - note the overall General Fund position for 2017/18;
  - note the Housing Revenue Account position for 2017/18; and
- (3) requests that in future reports, details of the original budget positions are provided, not just the variance position.

## **RGSC/18/23 Town Hall Project – capital and revenue budget position**

The Committee considered a report of the Deputy Chief Executive (Growth and Neighbourhoods), presented by the Director of Trading Services, which provided Members with an update on the current budget position on the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall project.

Officers referred to the main points in the report, which included:-

- The estimated overall budget for the Our Town Hall project, both capital and revenue related spend, was in the region of £330m. As at February 2018 this comprised of £305m capital, £970k items which could not be capitalised funded via the Capital Fund and a revenue budget of £20m - a total of £326m;

- A gap budget had been set aside for any scope change of works, whereas the contingency budget related to unknown works and discoveries made during the course of the project;
- Further funding of £2.04m had been allocated to strengthen the client side team over the seven-year period of the project;
- There had been an allowance of an additional £377k for the professional design team as tenders had come in slightly higher than the initial budget and for £250k for the addition of the café;
- The next anticipated capital spend approval request would be for the appointment of the Management Contractor, which was anticipated to be in November 2018;
- The decant budget was £17.071m which included a contingency figure of £1.4m and was based on the following assumptions:-
  - the lease for Bridgewater House could be terminated at the break point (October 2020) of a five-year lease and no further costs would be incurred; and
  - there was a budget allocation set aside for the storage of the silver collection, but the actual costs would not be known until August 2018, following a selective tender process.
- A governance process had been adopted for the project with decision making boards led by the Strategic Board, SMT Sub Group and the Project Board;
- A scheme of delegation and change control process covering virements and other funding allocations would be presented to the Strategic Board for approval; and
- The work undertaken to date had provided assurance that the overall budget remains on target for both revenue and capital

Some of the key points that arose from the Committees were:-

- What provision was being made to preserve the Council's silverware collection;
- Had any progress been made with the proposal for heritage assets to be displayed across the city;
- In terms of Bridgewater House, had staff occupied the premises yet; and
- Was there a complete list of all assets that had been removed from the Town Hall and their value.

The Director of Trading Services advised that conservationists had been working alongside the Project Team to ensure that the condition of the silverware was kept in the best possible condition. In terms of displaying the heritage assets across the city, the busts that were previously located in the Town Hall had now been moved to a range of different locations across the City including two in the Council Chamber and Ante Chamber and Officers were currently looking at different ways of sharing access to the Town Hall heritage assets including virtually through the use of 3D technology.

The Committee was advised that staff had located into Bridgewater House approximately nine months ago on a three year lease. The key factor in this was ensuring that the Council did not have to extend the lease when it reached the point at which the lease could be terminated. It was reported that there was a detailed list of all the assets that had been removed from the Town Hall and stored securely and

that it would be considered how this list could be shared with Elected Members. There was no plans to sell any of the assets that had been removed other than those that did not fit with the fabric of the Town Hall.

#### Decision

The Committee:-

- (1) notes the current financial position, both revenue and capital related budgets and the financial governance arrangements; and
- (2) requests Officers circulate the list of all the assets that had been removed from the Town Hall to all Elected Members for information

#### **RGSC/18/24 Overview of the work of the Ethical Procurement Sub Group 2017/18 and re-establishment of the Ethical Procurement Sub Group 2018/19**

The Committee considered a report of the former Chair of the Resources and Governance Scrutiny Committee which provided an overview of the work that had been undertaken by the Ethical Procurement Sub Group during 2017/18.

The report also sought to re-establish the Sub Group for the 2018/19 Municipal Year and in doing so agree the membership, terms of reference and work programme.

The Committee was advised that over the course of 2017/18, the Sub Group had looked at the following:-

- The governance arrangements of the Social Value Fund;
- The implementation of Social Value across the Combined Authority and Greater Manchester Council's;
- The introduction of new arrangements for Health and Social Care and how Social Value had been considered in these arrangements;
- A review of Social Value derived from the Council's Highways contracts;
- The delivery of Social Value through the Our Town Hall project; and
- The proposal to increase the level of Social Value weighting in future tenders.

#### Decision

The Committee:-

- (1) notes the work undertaken by the Sub Group during 2017/18;
- (2) agrees the Terms of Reference of the Sub Group;
- (3) agrees that the Sub Group will set its future work programme at its first meeting on 7 June 2018;
- (4) agrees that the membership of the Sub Group for 2018/19 from this Committee be Councillors Ahmed Ali, Clay, Lanchbury, Russell, Watson and Wheeler;
- (5) agrees that Councillor Russell is appointed as Chair of the Subgroup;
- (6) agrees that the other Scrutiny Chairs, those being Councillors Farrell Hacking, Igbon, Richards and Stone, be appointed to the Sub Group for 2018/19; and

- (7) agrees that membership of the Sub Group be widened to include members of the Economy Scrutiny Committee and that Officers seek interest from those members who may wish to be appointed.

### **RGSC/18/25 Re-establishment of the Human Resources Sub Group**

The Committee considered a report of the Governance and Scrutiny Support Unit that provided Members with the current terms of reference and work programme of the Human Resources Sub Group. The Committee was invited to re-establish the group and agree the membership, terms of reference and work programme.

#### **Decision**

The Committee:-

- (1) agrees the Terms of Reference of the Sub Group;
- (2) agrees that the Sub Group will set its future work programme at its first meeting on 14 June 2018;
- (3) agrees that the membership of the Sub Group for 2018/19 be Councillors Andrews, Clay, Rowles and Russell; and
- (4) agrees that Councillor Russell is appointed as Chair of the Subgroup.

### **RGSC/18/26 Overview Report**

The Committee considered a report of the Governance and Scrutiny Support Unit which contained key decisions within the Committee's remit and responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

The Committee noted that it would be discussing the work programme for the forthcoming municipal year in further detail in a private session following the meeting, and that an updated work programme reflecting this discussion would be circulated as normal in the papers for the next meeting.

#### **Decision**

The Committee notes the report.