

Economy Scrutiny Committee

Minutes of the meeting held on Wednesday, 5 December 2018

Present:

Councillor H Priest (Chair) – in the Chair
Councillors Connolly, Davies, Douglas, Hacking, Johns, Newman, C Paul, Raikes, Shilton Godwin, A Simcock and K Simcock

Also present: Councillors: N Murphy, Richards, Russell and Clay

Apologies: Councillor Green, Noor and Razaq

ESC/19/54 Minutes

The minutes of the meeting held on 7 November 2018 were agreed as a correct record.

ESC/19/55 Update on Revenue Financial Strategy and Business Plan Process 2019/20

The Committee considered a report of the Chief Executive and the City Treasurer which provided an update on the Council's financial position and set out the next steps in the budget process. The report summarised Officer proposals for how the Council could deliver a balanced budget for 2019/20.

In conjunction to the above, the Committee also received and considered the Strategic Development Business Plan for 2019/20, which set out in broad terms the directorate's key priorities, key activities and revenue and capital strategy for 2019/20, which was a refresh of the directorate's Business Plan for 2018/20 in the context of current resources, challenges and opportunities.

Taken together, the report and the directorate Business Plan illustrated how the directorate would work together and with partners to deliver Our Plan and progress towards the vision set out in the Our Manchester Strategy.

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

- Why was there lower than expected Council Tax growth;
- What assumptions had been made that underpinned the anticipated income from Business Rates;
- What assumptions had been made on the anticipated increase in customer and client receipts in relation to planning applications;
- What was the time scale for implementing the proposed increases in relation to planning fee income
- Who would be reviewing all planning fee income as referred to in the report; and
- What was considered to be a comparatively low number of agency staff as referred to in the report.

The Deputy City Treasure advised that Council Tax growth was originally projected at 3.5% based on the number of properties that were intended for development over the course of this financial year. At present, the growth was at 2.23% and this was mainly due to the timing of when properties were coming on stream. She also explained that some of the assumptions that had been made in relation to the expected income from Business Rates were based around the growth of businesses within the city, some inflationary changes and assumptions regarding the impact of the 100% retention pilot which ensured that the Council was no worse off than under the 50% retention scheme. It was explained that due to the volatility of Business Rates related to the number of appeals, projecting the actual revenue income was difficult.

The Strategic Director (Development) advised that in relation to the increase in planning fees, it had been agreed with HM Treasury that all income would be ring fenced to the service. As this was the first year of this additional income a prudent view was needed going forward in respect of a possible Brexit 'No Deal' and the negative effect that this could have on commercial and residential growth and the associated impact to the Council's income. He reported that the Council had established some years ago a level of reserves to provide a short term solution should planning fee income reduce, but a longer term view would be required.

The Strategic Director (Development) advised that as the Council's Planning service had only to his responsibility in the summer, work was currently being undertaken in relation to reviewing the whole of the service which would be reported to the Executive as part of the budget proposals in February 2019. He also commented that the use of agency staff within the directorate was very low, and used to back fill posts particularly in development and surveying. Efforts were being made to fill these posts with permanent staff in order to reduce the use of agency staff.

The Committee:-

- (1) welcomes the report and notes that this is the third year of a three year budget; and
- (2) notes that the Business Plan will be developed further taking the Committee's comments into account, and a revised plan will be submitted to the Committee's meeting in February 2019.

ESC/19/56 Delivering Manchester's Affordable Housing Strategy - Update on the delivery of the Council's affordable housing strategy

The Committee considered a report of the Strategic Director (Development), which provided an update on the delivery of the Council's affordable housing strategy.

The Director of Housing and Residential Growth referred to the main points and themes within the report which included:-

- An overview of the Council's 10 year residential growth strategy and progress to date;
- The level of social housing provision within the city;

- A synopsis of Manchester's housing market and affordability;
- The Council's delivery of affordable housing over the last three years and its proposals for the delivery of further affordable homes up to 2025;
- Investment opportunities resulting from the establishment of the Housing Affordability Fund; and
- Housing provision for older and vulnerable people, including access to suitable properties.

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

- Was it possible to inform Members of the sites proposed for the additional 150 homes and what process was used to include Ward Councillor in identifying these locations;
- In relation to affordability figures, was there any figures available in relation to help Manchester residents with deposits;
- Was there any evidence from other core cities that a more balanced housing market was able to attract more working households;
- Was there any connection between the disparity of worker and resident wages in the city and the rise in homelessness;
- Why was the Shared Ownership and Affordable Homes Programme (SOAHP) undersubscribed;
- What was being done to address the issue of families living in overcrowded social housing;
- Why was the Local Housing Allowance higher in Wythenshawe in comparison to the rest of the city as this was proving problematic for Wythenshawe residents who were on low incomes; and
- How successful had the Council been, in working with its public and private partners in delivering the Housing Affordability Framework.

The Executive Member for Housing and Regeneration advised that Ward Member consultation was ongoing and acknowledged the need to include Ward Councillors in discussions in the earlier stages of the process of identifying sites. The Director of Housing and Residential Growth advised that prior to the HRA Cap being lifted, the Council had applied for some HRA headroom and in doing so had identified a number of potential sites which added up to 150 homes, with the locations being indicative for the purpose of the bid. There would be need to revisit these initial allocations and hold discussions with local Ward Councillors before any final proposals were determined.

The Strategic Director (Development) reported that the only metric the Council had in relation to the support provided to residents for deposits was through the help to buy government scheme. The Committee was also advised that the Council had launched a small scheme to help those who could afford a mortgage repayment, but were not able to save for a deposit and although this scheme was new, there was a high demand for this form Manchester residents. He also advised that more work was needed to be undertaken as to whether there was evidence from other core cities that a more balanced housing market was able to attract more working households. He reported that the disparity of worker and resident wages in the city had likely had an impact on the and the rise in homelessness, but there were a number of other drivers too, including the increased demand for housing, the wider

impact of the welfare reforms and the behaviours of poor landlords that were the nexus of the housing issues the City was facing.

The Executive Member for Housing and Regeneration advised that the Council did not have the level of detail in relation to the number of families living in overcrowded properties, but acknowledged that this was an issue that had been identified as part of the review of the housing allocations policy and was something that was being looked into.

The Director of Housing and Residential Growth advised that Homes England had found that the time allowed it had for SOAHP funding to be applied for versus the complexity of the sites and size of bids that had come forward had not allowed enough time for them to process all the bids. As such, Home England had changed its approach its next round of funding, and were talking to a smaller number of partners and inviting larger bids over longer periods of time for deliver, giving greater flexibility to invest. He also reported that in most parts of the city, Local Housing Allowance and affordable rents worked together, however, in Wythenshawe this was not the case and levels were slightly above social rental levels to tie into its Local Housing Allowance. This was something that the Council was minded to address and formed part of the proposals in the next report.

Decision

The Committee notes the progress made to date in delivering the Council's affordable housing strategy.

ESC/19/57 Delivering Manchester's Affordable Housing Strategy - Proposed new affordable housing policies for the Council

The Committee considered a report of the Executive Member for Housing and Regeneration, which set out proposed new affordable housing policies for the Council.

The Executive Member referred to the main points and themes within the report which included:-

- The affordable housing context for the City;
- The challenges the Council's affordable housing policy needed to address;
- The opportunities that were available to the Council to invest in and deliver more housing;
- An overview of funding new affordable homes;
- A range of policy ideas proposed to deliver a step change in the number and tenure of affordable homes being built across the City;
- The additional resources needed by the Council to deliver the proposed policy ideas;
- Associated risks affecting Manchester's affordable housing supply;
- Other considerations that would be required to be taken into consideration in shaping and taking forward these policies; and
- Next steps.

The Committee had been invited to comment on the report prior to its submission to the Executive on 12 December 2018.

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

- The was overwhelming support from Members in relation to the proposed polices;
- It was felt that the good collaborative work with Registered Providers needed to continue in order to deliver suitable social rented properties;
- It was hoped that the proposed establishment of new vehicles to enable residents to own their own homes would be fast tracked into a reality;
- What was being done to avoid the stigmatization of Housing Affordability Zones as being referred to as new 'council estates';
- Would it be possible to commit to building more Council homes than what was being lost through Right to Buy;
- Consideration needed to be given to the design of future properties to ensure that these were zero carbon developments;
- Would the proposal to unlock smaller sites and developments within wards across the city to develop a local strategy and solution to positively encourage a range of tenants to downsize not conflict with the priorities of other Executive Members and the use of that land;
- There was a need to address the number of Council homes being sold under Right to Buy before new Council houses were built;
- Reassurance was sought that older people and those who were vulnerable would not be pressured into downsizing their council properties
- It was felt that the proposed policy in relation to community housing development should not be restricted to just three pilot areas, and it should also offered to those areas and communities that wanted this type of development;
- What were the timescales for the finance and legal considerations of the policy proposals to be taken into account;
- How would the Council deliver the proposed 3000 new homes if the Total debt cap was not lifted;
- How would the proposal to bring the HRA back into balance interact with the proposed policies;
- Had a team been identified to undertake the feasibility study of housing in the city centre and if so what progress had been made; and
- Was it envisaged that there would be a net gain in social housing as part of the proposed policies.

The Executive Member for Housing and Regeneration welcomed the support from the Committee and thanked all the Members who had been involved in developing the proposed policies and agreed that continued collaboration with Registered Providers, both existing and new, was key as they played an important role within neighbourhoods and local communities. She commented that the Council had committed to being a zero carbon organisation by 2038 and that a zero carbon approach to future housing development would be key to this but also there was also a need to address this within the Council's existing housing stock.

The Executive Member explained that there was a clear approach to the development of the Housing Affordability Zones which was about building mixed and sustainable communities, rather than large single tenure developments. She advised that it was her ambition for the Council to be able to get to a point where it had a net gain in the number of Council homes it was building within the next 10 years.

The Executive Member commented that she was passionate about community led housing and would welcome working with community groups across the city that were interested in producing these type of developments in order to do as much as was possible to support. She explained that there was ongoing discussions with other Executive Members around the prioritisation of use of council land assets, and reassured the Committee that the report was clear as to what she felt the prioritisation of the assets should be used for. She agreed with the comments around addressing the sale of Council homes under Right to Buy and was exploring how the Council could take council house building outside of the Right to Buy but this needed further development

The Executive Member reassured the Committee that the downsizing of residents in Council homes needed to be led by the needs of older people but acknowledged that there as an opportunity to offer a better fit for residents within the Council's existing housing stock.

The Executive Member advised that the financial and legal considerations would be taken over the forthcoming months and a report was due to be submitted to the Executive on this in February 2019.

The Director of Housing and Residential Growth advised that an Action Plan for the tackling HRA deficit was in process and more detailed work would be undertaken and reported back through Scrutiny in February/March 2019. He also advised that to replace the loss of Right to Buy social rented properties solely with new social rented properties would be unaffordable within the current constraints of the HRA.

The Executive Member advised that she would provide more detail to City Centre Councillors on the proposed feasibility study of housing in the city centre. The Director of Housing and Regeneration commented that a review of the Total debt cap would take place in 2020 by Government. Currently the Council had opened discussions with Homes England around a case to Government about the importance of the proposed policies which presented ambitious plans for housing development.

Decision:

The Committee:-

- (1) Welcomes and fully supports the proposed policies outlined by the Executive Member;
- (2) Endorses the recommendations contained within the report that the Executive:-
 - endorse the affordable housing policy proposals as set out in section 5 of the report; and

- note that officers will consider the financial and legal consequences of these policy proposals and report back to Executive in early 2019
- (3) Requests that the report on financial and legal consequences of these policy proposals is submitted to the Scrutiny Committee prior to its consideration by the Executive; and
- (4) Requests more detail be provided to all Committee Members on the proposed feasibility study of housing in the city centre.

ESC/19/58 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.

Decision

The Committee:-

- (1) Notes the report;
- (2) Agrees the work programme

ESC/19/59 Manchester College Estates Strategy (Part A)

The Committee considered a report of the Strategic Director (Development) and City Treasurer, which provided an update on the LTE Group's progress in acquiring a city centre site located within the Northern Gateway Great Ducie Street Regeneration area for the Manchester College city campus, which was a key part of its estates strategy.

Officers referred to the main points and themes within the report which included:-

- An overview of Manchester College's Estates strategy, which included the proposal to consolidate the estate from 24 disparate sites into three centres of excellence in the City Centre and Openshaw, supported by community learning hubs in Harpurhey, Openshaw and Wythenshawe;
- The new campus would focus on Manchester's employment growth sectors and new markets, where technological change required a more highly skilled and adaptable workforce,;
- To meet the College's ambitions, a new city centre campus needed to be accessible by public transport and create a high quality and safe environment to inspire learners to achieve;
- Land to the east of Great Ducie Street had been identified as the preferred site for the new City Centre campus;
- The proposed arrangements to fund the delivery of the new city centre campus, which included a loan funding package of £27.6m from the Council; and
- The College's approach to the proposed development of the City Centre campus would mean that the City would be well placed to deliver the new technical pathways which were being proposed as part of the Government's Post-16 Skills Strategy and critical to the delivery of the Industrial Strategy.

The Committee had been invited to comment on the report prior to its submission to the Executive on 12 December 2018.

Some of the key points that arose from the Committee's discussions were:-

- The Committee welcomed the proposed development;
- It was suggested that transport connectivity to the proposed development be improved;
- What were the future proposals for the College's St Johns site; and
- It was questioned whether the learning hubs would have A level provision.

The Head of Work and Skills advised that it was intended that the learning hubs would deliver vocational qualifications up to first level 3 (equivalent to A levels) and as learners specialised, it was intended that they would move to the centres of excellence within the city either undertaking a levels or the new Technical levels (T Levels), with opportunities for apprenticeships and Higher Education as well.

In terms of connectivity, The Strategic Director (Development) advised that there would be a requirement to embed the proposal in a revision of the Great Ducie Street Framework and in essence the site would require its own framework , which would include addressing the known issues of getting students to the new college campus safely from across the city. He also commented that in terms of the future of the College's other city centre assets, the first step was to establish a new campus. The College would then look to withdraw and dispose of other locations in order to pay down its debt to the Council and other financial providers.

Decision

The Committee endorses the recommendations contained within the report that the Executive:-

- (1) Supports LTE Group's plans to deliver a new Manchester College Campus on Great Ducie which would be a centre for excellence for skills in Creative & Digital (Phase 1) and Business, Financial & Professional Services (Phase 2);
- (2) Notes that the LTE Group has committed to work with the Council to ensure that new development proposals comply with and support approved planning policies for the City Centre, and to work with the Council to bring forward a new development framework for the site; and
- (3) Notes that the arrangements include a proposed loan of £27.6m to LTE Group the details of which are set out in the separate Part B Report.

[Councillor Hacking declared a Disclosable Pecuniary Interest in this item due to being a Director of the LTE Group and a Governor of Manchester College. He left the meeting during consideration of this item.]

[Councillor Raikes declared a Disclosable Pecuniary Interest in this item due to his employer being a corporate sponsor for the LTE Group. He left the meeting during consideration of this item.]

ESC/19/60 Exclusion of Press and Public

Decision

The Committee agrees that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

ESC/19/61 Manchester College Estates Strategy (Part B)

The Committee considered a report of the Strategic Director (Development) and City Treasurer, which set out plans for the Manchester College to bring forward a central element of their 2017/22 Estate Strategy located within the Northern Gateway Great Ducie Street Regeneration area, and set out proposals for the City Council to support the Manchester College in its acquisition of this site.

The Committee had been invited to comment on the report prior to its submission to the Executive on 12 December 2018.

Officers referred to the main points and themes within the report and responded to questions from the Committee.

Decision

The Committee

- (1) Endorses the recommendations contained within the report that the Executive:-
 - Note the proposed contractual and commercial arrangements between the City Council and the College details of which are set out in the body of this report.
 - Note that the Manchester College will promote a new Development Framework for the site which they are acquiring, taking into account the consented scheme on part of the site and the final version of the Great Ducie Street Strategic Regeneration Framework which is currently under consultation;
 - Note that LTE Group have put in the submission for Greater Manchester Combined Authority (GMCA) skills capital funding of up to £25m, which has been approved in principle dependant on a final due diligence exercise.
 - Approve the proposed loan of £27.6m to LTE Group the details of which are set out in this report;

- Authorise the City Solicitor, City Treasurer and Strategic Director – Development, in consultation with the Executive Member for Finance and Human Resources, to conclude the detailed contractual and commercial negotiations in respect of the proposed loan and necessary security arrangements and such other commercial transactions as set out in this report; and
- Authorise the City Solicitor to enter into and complete all documents or agreements necessary to give effect to the proposed loan and associated security arrangements the details of which are as set out in this report.

(2) Requests that the Executive take into consideration the following concerns of the Committee in relation to the proposed loan to the LTE Group when making its decision:-

- The Committee has strong concerns as to the security arrangements for the Council's loan and the ability of the LTE Group to repay this and that these concerns should be addressed in the ongoing due diligence work;
- The Committee asks for clarifications on what other sources of finance LTE Group had approached to secure the funding required for the purchase of the site; and
- The Committee notes that the Council is undertaking ongoing due diligence to ensure the Council's position is protected and is compliant with all relevant statutory and legal duties and functions.

(3) Notes that Council is recommended to approve a capital budget increase of £27.6m funded by borrowing.

[Councillor Hacking declared a Disclosable Pecuniary Interest in this item due to being a Director of the LTE Group and a Governor of Manchester College. He left the meeting during consideration of this item.]

[Councillor Raikes declared a Disclosable Pecuniary Interest in this item due to his employer being a corporate sponsor for the LTE Group. He left the meeting during consideration of this item.]