

Economy Scrutiny Committee

Minutes of the meeting held on Thursday, 5 September 2019

Present:

Councillor H Priest (Chair) – in the Chair
Councillors Abdullatif, Noor, Raikes, Shilton Godwin and Stanton

Also present: Councillors: Richards and Leese

Apologies: Councillor Douglas, Green, Hacking, Hitchen, Johns and K Simcock

ESC/19/37 Minutes

ESC/19/38 Delivering Manchester's Affordable Homes to 2025

The Committee considered a report of the Strategic Director (Development and Growth), which provided an update on progress against the policy proposals contained in the Affordable Housing Report considered by the Committee and the Executive in December 2018, taking into account the demand for and supply of affordable homes in the City. The report also provided further details of how the Council and its partners would deliver a minimum of 6,400 affordable homes from April 2015 to March 2025.

The Executive Member for Housing and Regeneration addressed the Committee, setting out the challenges the Council faced in meeting the policy proposals and in doing so referred to the main points and themes within the report, which included:-

- Manchester's economic context in relation to employment growth and associated housing demand;
- The reasons for the reduction in the completion of new homes in the City since 2007/08;
- The impact of austerity measures and associated welfare reforms on those on low incomes and a range of vulnerable households, particularly but not exclusively those living in the private rented sector;
- The role of Homes England and Registered Partners in supporting the Council to deliver new affordable homes, including the number of new affordable homes that had been delivered/were planned to be delivered between April 2015 to March 2021;
- Details of proposals for a further three additional Council funded affordable housing schemes in addition to the schemes that were already under construction;
- Detail on the level of significant investment needed to deliver the scale of Affordable Homes needed in the city between now and March 2025 and the funding streams that this funding would be derived from, which included the Council's HRA, grant support from Homes England, investment capacity of Registered Providers, Section 106 monies and the Council's Housing Affordability Fund
- Issues around availability of land for affordable housing;

- Proposals to address the adverse impact of the Governments Right to Buy scheme;
- Consideration Community Led Housing projects; and
- The need to take into consideration the Council's commitment to becoming Zero Carbon by 2030 and the consequences of this in terms of future housing design and quality.

The report would also be considered by the Executive at its meeting on 11 September 2019

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

- A real opportunity existed to make future affordable homes better than zero carbon and it was asked what work had taken place to date on this;
- It would be important to ensure that all Council Housing partners and organisations within the housing construction supply chain were aware of the Council's climate emergency declaration and the associated commitments it had made;
- There was concern that the majority of the level of investment required rested with Registered Providers and what securities had they against this risk;
- Would this strategy address the 13,000 plus people currently on the housing register and particularly those who were most vulnerable and those dependent on some of housing benefit;
- How many social rented properties had been built over the last five years through S106 monies;
- Could the Council strengthen its Housing Affordability Policy to ensure more social/affordable homes were built by developers through removing any clauses that permitted developers to provide a financial contribution in place of housing;
- Further information was requested on the review of site availability on the establishment of Manchester Housing Providers Partnership (MHPP);
- To what extent had transport infrastructure been factored into the impact on land prices and house prices within the city region;
- What measures were in place to ensure the quality of new affordable homes was of the highest standard possible;
- There was concern around the level of burden that would be placed on volunteer groups to be required to submit applications for funding for suitable community led housing projects and also the accountability of taking on a formal role of stewardship/management of these projects; and
- It was proposed that local ward Members should be consulted with prior to any decision made around the disposal of sites within Council ownership for the provision of affordable homes

The Strategic Director (Development and Growth) acknowledged the point made around zero carbon. Officers were cognisant of the decisions the Council had made in terms of declaring a climate emergency and work was ongoing in the development of an Action Plan to address the challenges and thresholds set through the declaration. This would include addressing the Council's relationships with its partners and supply chain as well as its commissioning and procurement strategies. It was recognised that the affordability of delivering the proposals were a significant

challenge for the Council and it was this in particular that would likely be at the heart of political discussions going forward. The Head of Housing commented that Registered Providers were already undertaking a lot of initiatives to aid in their properties reducing their carbon footprints, such as the installation of solar panels and ground/air heat pumps.

The Executive Member for Housing and Regeneration commented that here was approximately 6,000 residents in Manchester in housing need and this strategy aimed to tackle this through targeting Council resources at affordable homes at Local Housing Affordability level or below. In terms of the allocation system, there was currently a consultation and review of this taking place which would look to ensure that those homes that were becoming available were targeted at those most in need. There was also a review taking place of the Council's Private Rented Sector strategy and standards to try and more effectively enforce landlords meet their obligations and duties to their tenants. The Strategic Director (Development and Growth) advised that a briefing note could be provided to Members on the number of social rented properties built through on site S106 contributions. He added that the majority of S106 contributions for affordable housing was through off site contributions and due to the scale of funding required, the majority of affordable homes would need to come from Registered Providers and Homes England, as S106 monies through planning obligations would only deliver a minimal amount.

The Executive Member for Housing and Regeneration advised that there would be a piece of work undertaken over the next 12 months that would look to strengthen the Council's HRA to see what options existed to improve the 30 year outlook. The Committee was also advised that the MHPP had recently launched its own website and it was suggested that the Committee may want to invite representatives from the MHPP to a future meeting when it considered housing issues. It was also reported that the Strategic Housing Land Availability Assessment (SHLAA) was a public document and this would be made available to all Members.

In terms of the financial risk to Registered Providers, the Housing Strategy and Partnership Manager advised that conversations had already begun to take place as to how this could be addressed. He advised that to mitigate the risk, there was a need to maximise the funding from Homes England and ensure that the rental streams for the new homes provided covered the financial borrowing by the Registered Providers.

The Strategic Director (Development and Growth) advised that in terms of the Council's land ownership, it had previously identified areas of land which had been determined as Housing Affordability Zones, the majority of these were set alongside or adjacent to major transport corridors and would be utilised for an affordable housing product rather than sold to the open market. It was acknowledged that there was a separate issue in terms of Registered Providers competing for land against private developers in the open market, which provided a challenge in driving this program forward.

The Executive Member for Housing and Regeneration commented that the Council's affordable homes were some of the highest quality built and Manchester had its own quality standards around design which were higher than the national standards. In

terms of community led housing concerns, she advised that the strategy proposed a more defined approach in order to respond to some of the concerns and risks identified. It was reported that the City already had a small number of community led housing schemes and there had been a number of groups approach the Council expressing an interest in setting up future projects. The Executive Member agreed to provide more detail around this as the strategy was further developed.

Decisions

The Committee:-

- (1) Endorses the recommendations to the Executive as detailed below with the proposed additional wording (highlighted in bold)

The Executive:-

1. Note the increase in the forecast Residential Growth delivery target for new homes in Manchester from April 2015 to March 2025 of an additional 7,000 homes to 32,000 homes.
2. Note the proposed increase in the delivery target between April 2015 and March 2025 from 5,000 Affordable Homes to a minimum of 6,400 Affordable Homes.
3. Note the limited capacity of the Council's Housing Revenue Account and the Council's Housing Affordability Fund to support new additional Affordable Homes in the city and that significant new Affordable Home delivery in the city is dependent on robust partnership relationships with Registered Providers, which currently have the financial and delivery capacity to deliver those homes.
4. Delegate authority to the Strategic Director - Growth and Development, and the Deputy Chief Executive in consultation with the Executive Members for Finance and Resources and Housing and Regeneration to negotiate and formalise a Strategic Partnership with Homes England
5. Delegate authority to the Deputy Chief Executive, Strategic Director - Growth and Development and Head of Development in consultation with the Executive Member for Housing and Regeneration, to agree the disposal of sites in Council ownership for the provision of affordable homes as set out in this report **following consultation with local ward members.**
6. Delegate authority to the Strategic Director - Growth and Development and the Deputy Chief Executive in consultation with the Executive Members for Finance and Resources and Housing and Regeneration, to establish partnership arrangements with Registered Providers together with their partners/consortium for defined areas in the North, Central, South and Wythenshawe areas of the City.
7. Note progress against the Policy Ideas presented to Executive in the December paper by the Executive Member for Housing and Regeneration
8. Delegate authority to the City Solicitor to enter into and complete all documents and agreements necessary to give effect to the recommendations in this report.

- (2) Notes the possibility of representatives from MHPP attending a future meeting when it next considers housing related issues;
- (3) Notes that more information on Community Led Housing projects will be provided to the Committee as the strategy develops; and
- (4) Requests that Officers circulate the Strategic Housing Land Availability Assessment (SHLAA) to all members of the Committee.

ESC/19/39 The Impact of Brexit on the Manchester Economy

The Committee considered a report of the Strategic Director (Development and Growth) which provided an update on current evidence about the impact felt by Manchester's economy since the European Union Referendum in 2016, as well as identifying a number of potential risks arising from the decision to leave the European Union.

The Leader informed the Committee of the developments that had taken place since the report had been published and also referred to the main points and themes within the report included:-

- Manchester's current economic position was broadly positive and continued to exceed both regional and national averages;
- Despite Brexit uncertainty, demand within the city centre office market was strong, with recent estimates suggesting that further new Grade A supply was urgently required;
- The continued success of the office market in the city had been somewhat tempered by a decline in retail linked to the growth of online retailing. Nevertheless, the Arndale continued to buck the trend with a series of new lets recently announced;
- There was a great concern to the city that vital research links with the EU could be compromised by Brexit which would have detrimental impacts on the burgeoning knowledge economy sector within Manchester, mainly located in the Oxford Road Corridor;
- Several of Manchester's employment sectors currently relied heavily on the employment of skilled EU nationals. If there was a decrease in EU nationals working in the city, the following sectors could face challenges, impacting on Manchester's growth ambitions;
- The implementation of a UK Shared Prosperity Fund to replace current EU funding had been delayed by a year, consequently EU funding would continue to be spent for the next two years;
- The most significant economic impact of the EU Referendum result had been the striking devaluation of the British Pound. The consequences of which had had different levels of impact on different sectors and aspects of the economy.
- Whilst there was a reduction in EU migration into the city, these reductions were being offset by a rise in the number of those entering the city from Pakistan, China and India;
- The consequences to Manchester companies in terms of import and export trade tariffs should the UK leave the EU without a deal; and
- Even at this advanced stage of the Brexit negotiations, there was no consensus on what the actual effects of Brexit would be on any aspect of the economy at any level.

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

- What work, if any, had the Council undertaken to help prepare residents to fill employment gaps that would be left by those posts currently filled by EU nationals, who were leaving Manchester as a consequence of Brexit;
- How would Manchester's professional services be impacted by Just In Time manufacturing being delayed and the possibility of the EU cutting out British companies from supply chains;
- Concern was expressed that although the Foreign Direct Investment (FDI) figure for the North West had increased slightly, overall it was still lower than before the referendum took place;
- What preparations had been made in terms of the labour market following exiting the EU and any possible recession as a consequence of a no deal;
- Concern was expressed in relation to the impact Brexit had had and would continue to have on health and social care services for Manchester residents due to the migration of a large proportion of the workforce and the impact on the City's cutting edge research sectors and it was asked what work had been done to mitigate these impacts;
- Had the Council considered undertaking an Environmental Impact Assessment (EIA) of Brexit;
- Had any consideration been given yet to the impact of Brexit on the contribution that voluntary and community sectors provided to various sectors of the City's economy;
- Had the Council undertaken any planning for Brexit not taking place and the potential economic upturn that this might bring; and
- To what extent would Manchester be impacted by the effect of Brexit on other Greater Manchester local authorities.

The Head of Local Planning and Infrastructure/City Policy acknowledged that the potential skills gap was a critical issue and providers were aware to this risk. There was potentially a large challenge to a number of sectors but this would be dependent on the UK's future immigration policy which was still not clear. Reassurance was given that Officers and partners were working hard to ensure that they were doing everything they could to mitigate the potential level of impact this would have on the city. The Leader added there was also the willingness of people to be trained and developed and also the length of time it took to obtain the necessary skills and qualifications in certain sectors, such as Nursing, that would have an impact on filling any skills gaps.

It was acknowledged that in terms of FDI, Manchester was doing comparatively well when compared nationally, however, this was in relation to only Manchester and not Greater Manchester or the Northern region.

In terms of Professional Services and EU companies supply chains, it was reported that all services would be impacted in terms of labour issues and there were a whole series of issues around data that the Council had been working with the Combined Authority on to try and ensure companies were made aware of what they needed to do to minimise the shock of any withdrawal on information flow and GDPR. More generally, in terms of mitigating the impact to the labour market, it was explained that

there were parallels to the 2008/10 period and recession that followed and experiences were being drawn from this to try and mitigate the likely impact to the City's labour markets.

The Committee was advised that Greater Manchester was probably in a better place than anywhere else in the country in terms of keeping businesses informed of Brexit implications through the work of Manchester Growth Company. He advised that in terms of the potential impact on Universities and the Research Sector, Manchester had strong footings in these areas and as a consequence, these would likely be sustained regardless the outcome of Brexit. He advised that alongside the Universities the Council would continue to lobby government to ensure it still bought in to European Programmes and had an appropriate visa programme to allow researchers to come and work in Manchester.

In terms of undertaking an EIA, it was acknowledged that there would be a range of broad issues that would require addressing going forward. It was commented however, that all current environmental EU Legislation would be transferred into UK law upon exiting the EU. The Leader added that if there was a no deal then the UK would not be part of any supply chains with EU countries and there was no provision to export British products to the European Union. This however was somewhat beyond the control of the Council and was entirely dependent on what deals the UK Government could reach with the EU going forward.

The Leader acknowledged the point made around the potential impact on the voluntary and community sector and advised that further consideration would be given to this going forward. In terms of Brexit not happening, he advised that Manchester was in a very strong position to reap any benefits from a growing economy as a result of international trade. He also added that In terms of how Manchester would possibly be impacted by the effect of Brexit on other Greater Manchester local authorities, the City had proven its resilience in the past by its ability to recover quickly from past recessions, more so than other GM authorities, and as such it would likely be required to provide employment opportunities for a far greater geography than its own boundaries. He added the caveat that this would be dependent on the ability to deliver appropriate residential and commercial development in the long term to ensure future job creation.

Decision

The Committee notes the report.

ESC/19/40 Northern Powerhouse Rail Update

The Committee considered a report of the Strategic Director (Development and Growth) which provided an update on High Speed 2 (HS2) and Northern Powerhouse Rail (NPR) and outlined the latest position on both initiatives. The report also provided information on a campaign by Northern leaders for rail investment in the north and a summary of the Council's response to HS2 Ltd.'s Design Refinement Consultation.

The Leader informed the Committee of the developments that had taken place since the report had been published and also referred to the main points and themes within the report included:-

- Government had recently announced an independent review into HS2 which was due to report back within a six week time period and would examine cost estimates and opportunities for savings and changes to the scheme, the environmental impact, and the economic and business cases for both Phases 1 and 2;
- The Secretary of State for Transport had recently announced that the cost of HS2 was anticipated to increase by a further £30 billion to approximately £85 billion and that the timescale for delivering Phase 2 would be delayed by seven years;
- Northern leaders had written to both the Prime Minister and new transport secretary, to express the importance of delivering HS2 and NPR together in the north, delivering the right stations and infrastructure and not stepping back from other committed schemes;
- Leaders were now moving forward to deliver a joint campaign, supported by other areas and existing groups, including Transport for Greater Manchester (TfGM) and the GMCA to target business, media, MPs and senior Government Officials, with an aim to gain the support of prominent figures to influence the wider general public of the opportunities and benefits to the north of HS2, NPR and wider rail investment;
- HS2 Ltd. was currently at the Control Point 3 (CP3) of the design stage, which was due to complete in October 2019. This stage of design would be included in the plans which would make up the hybrid Bill, which was currently due to be submitted to Parliament in June 2020;
- HS2 Ltd. was consulting on design refinements (DRC) to the Phase 2b route consulted on in 2016. The changes that impacted Manchester were the proposed relocation of vent shafts and their associated infrastructure, at Lytham Road and Palatine Road. The proposed new locations were at Fallowfield Retail Park on Birchfield's Road, and on Withington Golf Club land at Palatine Road; and
- The Council's response to the DRC included previous concerns set out in its response to HS2 Ltd.'s Working Draft Environmental Statement (WDES) in December 2018.

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

- What could be done to improve the promotion of the benefits that HS2 would bring to the region other than just the reduction in journey times to London;
- Reassurance was sought that the Council would be supporting objectors in relation to the proposed location of the ventilation shaft on the Birchfield site;
- Was there any update on the proposed design of a new station at Piccadilly station given the lack of agreement between GM stakeholders and the TfN Partnership Board as to what should be proposed;
- What could be done to improve the capacity on the existing rail network in order to deliver more services for commuters

- There was concerns about the current volume of rail users wanting to access Piccadilly station and whether it had the capacity to accommodate any more users.

The Leader advised that the previous location of the ventilation of the ventilation shaft on the Birchfield site was were a new school was being built so it was necessary that it was relocated. He informed the Committee that the Executive would be requested to oppose the proposed re-location at the Birchfield site and consider two alternative locations.

In terms of the proposals for a new station at Piccadilly, it was reported that it had been agreed with Transport for the North as to what was to be included in the report to the Partnership Board but this was not what was actually reported. This had been acknowledged by TfN and they had confirmed that they would proceed in considering both Department for Transport's proposal for a turn back station alongside the Council's and GM Stakeholders preference for an underground station. In addition to this, additional independent research had been commissioned alongside TfGM to report back on the viability and benefits an underground station would bring to the city and wider city region.

The Committee was advised that in order to provide more commuter rail services in and around Manchester, there needed to be greater capacity on the existing rail networks and this could only be achieved by the removal of long distance services from the existing networks onto the new HS2 network. He acknowledged that the case for improved capacity on local networks had been overshadowed by the reduced journey times HS2 would achieve and the argument for HS2 should be driven by capacity and reliability rather than purely speed.

Decisions

The Committee:-

- (1) Notes the report
- (2) Welcomes the reference to a future a focus on the benefits that HS2 would have beyond reduced journey times to London;
- (3) Requests that the Committee is provided with further information on the Connecting Britain campaign

ESC/19/41 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

In terms of future work programmes, the Chair of the District Centres Sub Group (Councillor Shilton Godwin) informed the Committee that it was anticipated that the final report of the District Centres Sub Group would not be ready for consideration until February 2020 at the earliest and requested that this be reflected on the Committees work programme.

Decision

The Committee:-

The Committee:-

- (1) Notes the report;
- (2) Agrees that the final report of the District Centres Sub Group will be considered by the Committee would not be ready for consideration until February 2020 at the earliest.