

## **Resources and Governance Scrutiny Committee**

### **Minutes of the meeting held on Monday, 24 February 2020**

#### **Present:**

Councillor Russell (Chair) – in the Chair  
Councillors Andrews, Clay, Davies, Lanchbury, B Priest, Rowles, A Simcock, Stanton, Wheeler and Wright

#### **Also present:**

Councillors: Akbar, Bridges, Craig, Leese, N Murphy, Ollerhead, Rahman, Richards, Stogia, Karney, Flanagan, Kilpatrick and Leech

**Apologies:** Councillors Ahmed Ali and Moore

#### **RGSC/20/16 The Council's Budget 2020/21**

Further to minute RGSC/20/8, the Committee considered a report of the Chief Executive and the Deputy Chief Executive & City Treasurer which provided an update on the Council's financial position following scrutiny of the draft budget proposals and Directorate budget plans by all Scrutiny Committees.

The Committee received statements from both the Leader and the Executive Member for Finance and Human Resources on the Executive's budget proposals and the key issues underlying the budget process. In doing so, they outlined the context of the proposed budget, in particular, they referred to the continued challenges presented by the funding reductions from national government, referencing pressures on Adult Social Care, Children's Services and Homelessness in the city. They also advised that there would likely be budgetary implications going forward arising from the Council's commitment to address climate change over the next five years and the potential impact of future funding arrangements as a consequence of the outcome of the Fair Funding Review and the likelihood of the 100% Business Rate retention pilot ending in 2021/22 and the baseline for growth being reset.

They also thanked all the Scrutiny Committees for their input into scrutinising the budget proposals to date within each Directorate's budget plan, noting that whilst Scrutiny Committees had identified areas that they felt required additional funding, it would not be prudent for the Council to use its reserves at this current point in time, given that it was only able to set a one year budget and the uncertainty of future years funding.

The Committee then received a statement from the Executive Member for Housing and Regeneration regarding the Housing Revenue Account calculations for 2020/21 to 2022/23 and its use. She advised of the challenges the Council faced in delivering its housing ambition that had arisen from the imposition of a 1% annual rent cut for four years from 1 April 2016 and the impact of this on the financial viability of social housing and the amount of resources to invest in improving existing stock. She also

referred to the financial implications of “Right to Buy” on the Council HRA Business Plan and the estimated costs in retrofitting the Council’s existing housing stock as part of the Council’s commitment to reduce its carbon emissions. The Executive Member reported that following government changes to the social rent policy, a 2.7% increase in dwelling rents was being proposed and assured the Committee that this increase would be within Local Housing Allowance levels.

The Chair then invited the other Scrutiny Chairs in attendance to bring to the Committees attention any concerns/issues that had arisen from their scrutiny of individual Business Plans. The Chair of Children and Young People’s Scrutiny made the following salient points:-

- Whilst the additional investment into Children’s Services was welcomed, it was acknowledged that this would not resolve all issues or address the level of demand;
- There was concern that whilst School budgets had increased, this increase only reflected the number of children in the city;
- Whilst there was increase in the high needs budget within the dedicated schools grant, this followed several years of the funding being frozen when the number of pupils in Manchester was increasing;
- There was concern in relation to the financial impact to Manchester schools should the national funding formula for schools come into effect;
- Whilst cognisant of the challenges the service faced, the Children and Young People’s Scrutiny Committee had supported the budget proposals put forward.

The Chair then invited Committee Members to ask questions on any of the Directorate Budget Plans, but in doing so, reminded the Committee that the budget proposals had all been scrutinised by the relevant Scrutiny Committees at previous meetings in January and February 2020. The following questions were asked:-

- What was the likely impact to the Council as a result of the potential reduction in future funding of circa 14% in relation to Adult Social Care, which had been exemplified as a potential consequence of the Fair Funding Review;
- What was the likely impact on the services the Council provided of the roll out of Universal Credit to all remaining claimants on legacy benefits;

The Leader advised that the impact of the roll out of Universal Credit would likely compound the exiting issue of the number of claimants and families that were in rent arrears which had the consequential impact on the rise in families being put at risk of being made homeless as well as impacting on those families on low incomes living in deprived communities.

The Committee then considered four proposed amendments to the Executive’s budget. Three of the amendments had been submitted by members of the Opposition Group (Councillors Stanton, Kilpatrick and Leech) and one proposed by Councillor Flanagan. The amendments were as follows and each proposer was invited to present their amendment to the Committee:-

- To allocate a budget of £960,000 phased equally over three years to enable the Council to make available a £10,000pa Green Neighbourhood Investment Fund

in each of the 32 wards, encouraging our neighbourhoods to participate in carbon reduction on a community-led basis shaped by the priorities of the Manchester Climate Change Action Plan; to be funded out of the proposed £2.079m contribution to the Business Rates Reserve for 2020/21.

(Proposed by Councillor Stanton, seconded by Councillor Kilpatrick)

- To allocate a budget of £960,000 phased equally over three years to enable the Council to deliver a programme of target hardening (including further alleygating) in areas of benefit; to be funded out of the proposed £2.079m contribution to the Business Rates Reserve for 2020/21 and to allocate a budget of £1.5m to enable the Council to deliver road safety & traffic calming schemes in areas of need; to be funded through transfer from the On-street Parking reserve.

(Proposed by Councillor Kilpatrick, seconded by Councillor Stanton)

- To establish a three-year budget totalling £600,000 to at least double 24-hour toilet provision in the City Centre, lessening the impact of any Public Space Protection Order on our homeless population; funded through a release of reserves.

(Proposed Councillor Leech, seconded by Councillor Kilpatrick)

- We wish to amend to amend this year's budget and call on the Council to set up a one-off fund for £250,000 to be called the Spring Challenge Fund.

(Proposed Councillor Flanagan, seconded by Councillor Johns)

The Committee then had a detailed discussion on all of the proposed amendments.

In relation to the amendment from Councillor Stanton, the Committee acknowledged the principle of what he was looking to achieve, but commented that a more structured approach would be more appropriate, noting that this was the intention of the developing ward plans to address climate change at a local level. The Committee suggested that existing Neighbourhood Investment Fund monies could and were already being used in precisely this way on a ward-by-ward basis. In relation to the amendment from Councillor Kilpatrick, again the Committee acknowledged the principle of what he was seeking to achieve but was unsure if it was far reaching enough and questioned the timing of using reserves at the present moment

In considering the amendment from Councillor Leech, there was concern expressed in relation to the estimated cost in providing additional toilet provision within the city and whether the amendment was financially viable. It was also commented that the Committee had previously requested a fully costed feasibility report on extra public toilet provision so that detailed, appropriate consideration could be given to such a proposal. The Chair commented that she believed it would be implausible for the Council to deliver all the necessary requirements that would be associated with complying with his amendment within the level of funding being sought, and

referenced the additional cost of £155,000 per year that was being allocated to provide additional security for 24-hour access to the existing provision at Lloyd Street public toilets. Councillor Leech advised the Committee that he had consulted with the City Treasurer on the level of funding required within his amendment.

The Committee was also concerned that the three amendments proposed by the Opposition Group Members were for three years of funding and all required the use of Council reserves. It was commented that given that the Council was only able to set a one-year budget and the uncertainty of future funding arrangements, it would not be prudent to utilise Council reserves given the current and potential future financial climate the Council may face.

In relation to the amendment from Councillor Flanagan, the Committee sought further clarification as to what the additional funding would be utilised for, and where this funding would be sourced from. Councillor Flanagan explained that the funding would be used to aid local communities to contribute in addressing climate change within their wards through a variety of resident led initiatives. He proposed that this additional funding would be drawn from the Council's revenue contributions to capital rather than reserves as a one off funding allocation. The Committee queried as to how this funding would be allocated and who would be responsible for its administration. He reported that the funding would be allocated on a needs basis, rather than split equally across all wards and it was suggested that final approval of any requests for funding would be made by the Executive Member for Finance and Human Resources. There was an acknowledgement by the Committee that similar schemes had been undertaken in the past which had only resulted in short term benefits and that if this amendment was to be supported, it was suggested that appropriate criteria for allocating funding, that would deliver long term benefits, would need to be determined.

Having had regard to all the amendments, the Chair proposed that the Committee:-

- neither supported nor rejected the amendments proposed by Councillors Stanton and Kilpatrick, noting the principle of intent of their amendments and should additional funding be available in future years, request that the Executive give due consideration for such initiatives;
- did not support the amendment proposed by Councillor Leech in light of the fact that a future report was planned for consideration by this committee; and
- supported the amendment by Councillor Flanagan for consideration at Full Council on 6 March 2020.

This proposal was seconded and following a vote, carried.

## Decisions

The Committee:-

- (1) Endorses the decisions of the Executive on 12 February 2020;
- (2) Commends the proposed budget for consideration by Full Council at its meeting on 6 March 2020;

- (3) Supports the amendment by Councillor Flanagan for consideration at Full Council on 6 March 2020
- (4) Recommends that Council neither supports nor rejects the budget amendments proposed by Councillors Stanton and Kilpatrick, but notes the principle of intent of their amendments and agrees that should additional funding be available in future years, the Executive gives due consideration to such initiatives; and
- (5) Recommends that the Council does not support the budget amendment proposed by Councillor Leech and notes that a detailed report has already been requested (Minute RAGOS/19/xx) in respect of the costings for an additional public toilet provision within the city, which will be considered at a future meeting when the report is available.

### **RGSC/20/17 Our Town Hall Project - Notice to Proceed**

The Committee considered a report of the Deputy Chief Executive and City Treasurer, which provided an update on the progress with the Our Town hall project to date, including the intention to issue a Notice to Proceed (NTP) into the main construction phase of the Works.

The Deputy Leader briefly outlined the report, which contained the following key points and themes:-

- The current status of the project, including activity to date, and the governance and procedures that were in place to manage the project through the construction period and into project completion;
- The Council had engaged Lendlease as its Management Contractor to manage the project, procure the works, advise on risk and to contract with works package contractors who had the primary responsibility for undertaking the works;
- The contract with the Management Contractor required that before the Council issued the NTP it had to satisfy itself that a number of key documents and dates had been agreed with the Management Contractor, including the supplemental particulars, project cost plan, date of completion, and the preliminaries cost schedule. These documents were now agreed, and as such the project was ready to progress into the construction period;
- The Council's Internal Audit team had reviewed the procurement process in the run-in to NTP and were satisfied that a transparent and robust process had been applied to secure the completion of RIBA stage 4;
- The budget would become more defined by Notice to Proceed and as the various works packages were procured. However, the Council would not have cost certainty until the final account was agreed under the Management Contract; and
- The appetite within the insurance market to cover construction risk, particularly heritage buildings, has reduced significantly in the wake of recent fires and although a range of insurers had committed to provide 100% cover for the various insurable risks, some aspects of final terms and the formal placement of cover was to be finalised and it was possible that the final terms of the insurance policies would require amendments to the Management Contract.

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

- Clarification was sought on the level of engagement that had been undertaken with insurance companies;
- What incentives were in place for the Management Contractor to control preliminary costs;
- How advanced were the operational needs of the project and where these detailed in RIBA Stage 4;
- Were there any KPI's going to be included for the Project to address climate change;
- Was there any detail that could be shared in relation the monitoring framework is being developed between Unite and Lendlease to ensure that this and the Unite Charter was appropriately reflected throughout the project supply chain and an assurance was sought that Trade Union representatives would be given access to the site during the course of construction; and
- Could information be provided on how many of the apprentices currently employed on the project were Manchester residents.

The Committee was advised that there had been a large amount of engagement with Insurers to date. It was acknowledged that heritage buildings often presented some significant fire risks due to the nature of the construction material used, especially within their roofing structures. As such potential insurers and brokers had been on site to view first-hand the building and the fire and flood plans and general insurance mitigation. Consequently Insurers were now satisfied with the proposals as to how the Council and the Management Contractor were managing these risks and a set of terms for insuring the building during its construction phase.

The Our Town Hall Project Director informed the Committee that at the original point of tender with Lendlease, their preliminary and staffing costs were tendered in competition and rates were put forward which now formed the basis of the contract pricing. What had changed since then was there was now a detailed programme of works and a detailed pricing strategy which meant that the Council could now ascertain that staffing levels were appropriate and various preliminaries associated with packages of work were procured in an open manner. In terms of the larger elements of the preliminary works that supported the packages of work, had been procured and had cost assured against them. In regards to future monitoring, there was a team of professional advisors that worked alongside the project team, who valued all of the works and certified that all of the works provided value for money.

The Our Town hall Project Director provided a brief overview of the RIBA process and explained that RIBA stage 4 was the final design stage before construction commenced. To inform the design of the project had required a large amount of internal and external consultation with stakeholders, including the Facilities Management and Operations team, who had commented that the proposed design for the building worked from an operational perspective. It was also reported that there was a "soft landings" programme as part of the project, which would ensure that at the point the Council moved back in to the building, there was a team of aftercare engineers and constructors to make sure the building worked for its occupiers.

The Committee was advised that there were KPI's within the construction contract that referred to addressing climate changes, such as ensuring the waste output during the construction period was significantly lower than what it would have been. In terms of the building post refurbishment, significant improvements would be made in energy consumption which would translate into reductions in carbon load per head of occupancy. The Committee was asked to take account that the building was a Grade 1 listed building and this meant that it would not be possible to take certain steps to mitigate its carbon emissions, that could be applied to non listed buildings.

The Our Town Hall Project Director advised that there had been several meetings between Lendlease and Unite, to develop an agreed criteria for monitoring works on site, such as compliance with minimum standards of working conditions.

## **Decisions**

The Committee notes:-

- (1) That on the basis of the Tranche 1 Works Packages procured to date (60% by value), and the level of design readiness to procure the balancing Tranche 2 (40%) packages, the project is suitably advanced for the Council to commit to construct, noting the arrangements that are in place to manage the risk of cost and programme overrun in the Tranche 2 Works Packages.
- (2) That a date for completion of 22 December 2023 has been agreed with the Management Contractor.
- (3) The project cost plan (for Construction) is reported in the press excluded report that accompanies this report.
- (4) That subject to approval by the Deputy Chief Executive and City Treasurer in consultation with the Deputy Leader and the Executive Member for Finance and Human Resources to these terms, a Notice to Proceed will be issued to the Management Contractor (Lendlease) and construction will commence on site in March 2020.

## **RGSC/20/18 Exclusion of Press and Public**

### **Decision**

To exclude the public during consideration of the following items which involved consideration of exempt information relating to the financial or business affairs of particular persons and public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **RGSC/20/19 Our Town Hall Project - Notice to Proceed (Part B)**

The Committee considered a report of the Deputy Chief Executive and City Treasurer, which provided details of the projected cost plan for the main construction

phase of the Our Town Hall Project, prior to the Council issuing of the Notice to Proceed instruction to the Management Contractor.

The Committee asked questions to which the Officers provided responses

**Decision**

The Committee notes that the project cost plan (for Construction) has been agreed with the Management Contractor in the terms described in the report.