

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Tuesday, 6 October 2020

Present:

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

Also present:

Councillor Leese, Leader
Councillor N Murphy, Deputy Leader
Councillor Rahman, Executive Member for Skills, Culture and Leisure

Apologies: Councillor B Priest

RGSC/19/37 Minutes

Decision

To approve the minutes of the meeting held on 1 September 2020 as a correct record.

RGSC/19/38 Our Manchester Strategy Reset - Timescales

The Committee considered a report of the Director of Policy, Performance and Reform, which provided an overview of the Our Manchester Strategy reset, including the timescales of the work.

Key point and themes in the report included:-

- The Our Manchester Strategy reset would reframe the existing Strategy, with it continuing to provide the overarching ambition of the city of Manchester;
- It would reflect Manchester's priorities for the next five years until the end of the Strategy in 2025, remaining distinctly about Manchester;
- The overarching principles of equality, inclusivity and sustainability were at the heart of the reset process;
- The Our Manchester Forum was the governance partnership board for the reset, overseeing the work and approving the final document alongside the Executive and Full Council;
- A number of other strategies and plans were currently in development or due for refresh in the next 18 - 24 months and Officers were considering alignment to ensure other strategies' aims flowed from the Our Manchester Strategy reset's priorities, as the overarching vision for the city;
- Early results from the engagement and research would also be fed into the corporate budget planning process for 2021/22 and the medium term financial plan; and

- A further report detailing the reset's engagement processes and emerging findings would be brought to the Committee for their consideration in November 2020.

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

- How was the Council engaging with hard to reach groups, for example those who were digitally excluded, under the current COVID restrictions around social distancing;
- What percentage of respondents were from a BAME background and did this reflect the proportionality of these communities across the city;
- Consideration should be given to using social media to engage with some of the hard to reach communities;
- What role would Elected Members have in the engagement process; and
- Was the Our Manchester Forum membership now up to full complement and had they been able to meet online yet.

The Director of Policy, Performance and Reform advised that the Council had undertaken targeted resident engagement for those communities that would typically under engage if the survey had been solely digital. The Council had also worked closely with the voluntary and community sector in setting up this targeted engagement, which included face to face engagement in a COVID secure way.

The Policy Officer advised that Officers were currently undertaking an analysis of the responses received to the survey and it was confirmed that the Council had managed to reach 3679 residents so far. Throughout the engagement Officers were keeping track of which communities had engaged in order to ensure that the universal offer was promoted in areas where communities were under represented. It was confirmed that at present there was underrepresentation of residents from the BAME community but this was being supported by the dedicated targeted approach. The survey had also been translated into the top 10 spoken languages in Manchester other than English and paper copies had been made available at Libraries and Community Hubs. There was also work being undertaken to identify the themes of interest from different communities in order to determine whether these were similar or different to the overall themes being identified.

The Chair commented that it was important that the Council did not lose sight of all protected characteristics in undertaking this engagement activity and proposed that in the follow up report data should be provided on the proportion of these characteristics from within the city's population and a breakdown of what has been achieved with these groups in terms of engagement.

The Committee was advised that all Elected Members were sent a briefing at the beginning of the engagement activity at the end of August and discussion with the Deputy Leader was taking place to set up virtual workshops for Elected Members to engage in the process.

The Leader advised that the Our Manchester Forum membership was now up to full complement and there had been five online workshops that had been well attended with high levels of participation.

Decision

The Committee:-

- (1) Notes the report.
- (2) Requests that in next month's follow up report, data is provided on the proportion of all protected characteristics from within the city's population and a breakdown of what has been achieved with these groups in terms of engagement

RGSC/19/39 Capital Budget

The Committee considered a report of the Deputy Chief Executive and City Treasurer, that informed Members on the progress against the delivery of the 2020/21 capital programme to the end of August 2020.; the revised capital budget 2020/21 taking account of changes between the approved capital budget and any further changes occurring in year; the latest forecast of capital expenditure and the major variances since the Capital Budget Review and Programme Monitoring 2020/21 report submitted to the Executive in July 2020 and the impact any variations may have on the capital programme for the period 2020/21 to 2024/5.

The key points and themes in the report included:-

- The latest forecast of expenditure for 2020/21 for the Council was £435.9m compared to the current revised budget of £485m;
- Spend as at 31 August 2020 was £169.9m;
- A summary of each part of the programme, providing details on the major projects, which included a summary of the financial position, and as a result any changes to the budget that were required, which included:-
 - The Highways Planned Maintenance Programme;
 - The Factory
 - Hammerstone Road project
 - Our Town Hall Project
 - Housing Schemes funded through the Disabled Facilities Grant; and
 - The Special Educational Needs (SEN) Education Basic Needs (EBN) programme;
- The forecast was subject to continual review by the programme leads to establish whether the forecast remained achievable; and
- Whilst the intention was for the Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years, particularly in light of the uncertainty regarding activity during the COVID-19 pandemic.

The report was to be considered by the Executive at its meeting on 14 October 2020

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

- Even though multiple requests had been made, the report still lacked detail of the original budget allocation for the capital programmes and without this it was

difficult to scrutinise how much it was actually costing to deliver a number of these programmes;

- There was no mention within the report of inflationary pressures against the capital programmes
- Concern was raised that there was a risk that inevitable, covid related cost pressures obscured cost increases on projects where the cost to deliver these programmes had been increasing prior to COVID;
- Was there any opportunity to accelerate some of the planned works under the Highways Maintenance Programme to counter act the increase in costs to deliver the schemes;
- Due to the Social Value requirements of seeking to employ local contractors to work on the capital programmes, there was concern that this might result in local contractors increasing their prices as they were not being required to compete as strongly with contractors who were not local to Manchester or Greater Manchester;
- There was disbelief as to how the Council had ended up with such significant overspends on a number of capital programmes and it was asked what steps were being taken to place the onus of responsibility on the contractor for the delivery of these programmes on time and within the agreed budget;
- Did the Council ever plan for the impact of a pandemic when determining the budgets for capital programmes;
- There was concern that there was no reference to Brexit in the report and it was felt that as this was foreseeable what steps were being taken to take account of the impact this will have on the capital a programmes, contractors and the supply chain;
- Was there any targets set within the SEN provisions;
- What was the overall spend to date, including purchase cost, for Central Retail Park;
- Members were very concerned about the spiralling increase in cost to the Council in delivering The Factory project;
- There was concern around the ability to deliver other capital programmes due to the significant increase in funding required to deliver the Factory, especially other programmes within the culture sector of the economy;
- There was a real concern that there was no budget allocation for safety improvements around schools past the current financial year;
- It was suggested the that Ethical Procurement and Contract Management Sub Group should be re-established to monitor the progress of delivering capital programmes within the agreed budgets and deliver the required social value.

The Leader advised that it was only when inflation led to an overspend position on capital programmes that it was reported. Each scheme had a level of contingency built in to take account of the potential impact of inflation. He also acknowledged that the rate of inflation and delays in projects had an impact on each project being delivered on time and within budget. The Chair suggested that it might be helpful in future reports to separate out the increase in cost due to the impact of COVID and the general impact of inflation.

The Leader acknowledged that whilst it might be cheaper to deliver programmes now rather than in the future, the problem of fast tracking highways maintenance

programmes was due to the capacity within the industry to deliver these projects. The Director of Capital Programmes added that bringing forward more schemes could cause disruption in the supply chain for contractors. It was confirmed that for large budget capital programmes, the Council was bound to follow procurement rules and geography could not be used as a major determinant as to whether a tender was awarded.

The Deputy City Treasurer explained how the capital budget operated, in so much as that although the overall budget was agreed at Full Council in May, it moved in accordance with the checkpoint process of each capital programme. She added that although risks such as a pandemic were foreseeable, it was the likelihood of such risks occurring that had to be taken into account when determining the budgets for each programme, so as not to over price a project. The Director of Capital Programmes commented that risk analysis was undertaken on all construction projects to identify those foreseeable known risks and where and when these occurred lessons were learnt. What was difficult to anticipate was unknown risks, such as those associated ground investigation works.

The Deputy Chief Executive and City Treasurer clarified that a large piece of work prior to the COVID pandemic had commenced around the risks related to Brexit and a potential hard Brexit and what that would mean for the construction industry and the capital programme. The Director of Capital Programmes advised that standard Brexit clauses in construction projects were being developed in consultation with the Council's Legal Services.

The Leader commented that in terms of SEN, the work being done by Capital Programmes in conjunction with education services to ensure places estimated to be required were in place in time. So far this was being delivered on time.

The Deputy City Treasurer advised that for Central Retail Park the acquisition was £36.9m, alongside c£400,000 demolition cost and c£500,000 in fees. There were also some in year costs for security and utilities with potentially further revenue being needed for the site compound. This was within the overall budget allocation for the project.

The Leader acknowledged the comments made around the increase in cost to the Council in delivering the Factory project. He reaffirmed that the overall benefit cost analysis of the project would remain significantly positive over the next 10 years and recounted the investment that the Council had made in previous years to regenerate the city, specifically within the culture sector of the city's economy and the positive impact this had had local and the recognition it had gained nationally amongst other core cities.

The Chair raised concerns that there were significant overspends in the department, but that planned audits in Capital Programmes had been cancelled due to the department apparently constituting a 'low risk', despite there having been whistleblowing in the department. The Chair proposed that there should be an external independent review of the Council's capital programme and projects, including how they were being commissioned, the input of the legal department, and the ongoing contract and project management. The Chair emphasised that this was

intended as a supportive process and not a witch-hunt. The Deputy Chief Executive and City Treasurer advised that there had been a full external peer review in 2018 by the Local Government Association on the capital programmes function, which resulted in the appointment of the Director of Capital Programmes to address the problems that existed. A lot of progress had been made since then and prior to COVID19 discussions were taking place with the Executive Member for building on this review and reviewing procurement processes to ensure they delivered maximum value for money and that she always welcomed external scrutiny. Committee Members were in support of this proposal and suggested that the Chair liaised with the Executive Member and Officers on an appropriate timing for a further external review.

The Executive Member for Skills, Culture and Leisure commented that there was a cultural recovery plan that had been put together for the city, which sought government funding of £72m of investment to address the impact COVID19 had had on the sector. He also advised that there were a number of other initiatives taking place to help rebuild the sector across the city.

The Leader commented that the Executive had agreed not to place a limit on the capital budget for road safety improvements around schools, and the budget requirement for future years would be dependent on the proposals being brought forward. He added that this was an area that was regularly scrutinised by the Neighbourhoods and Environment Scrutiny Committee.

In so far as Scrutiny Sub Groups, the Leader advised that the Council was still operating under emergency powers and Members needed to have recognition of the demands on senior officers in relation to the support they were able to afford in the current climate.

Decision

The Committee:-

- (1) Recommends that the Executive and Officers commission an external independent review of Capital Programmes and projects to determine that it is functioning effectively.
- (2) Requests that the Executive ensure that there is a budget available for the next financial year for road safety improvements around schools and at points of crossings, although that budget can be a 'floor' rather than a 'ceiling'.
- (3) Notes the report, in particular the updates on:-
 - The decision making criteria used in the Checkpoint process and the benefits realisation work underway;
 - The Our Town Hall, Factory and Eastern Gateway projects; and
 - Capital expenditure on the Council's leisure estate

RGSC/19/40 Temporary Accommodation

The Committee considered a report of the Director of Homelessness and Deputy Chief Executive and City Treasurer, which provided information on the projects that had been undertaken with capital finance in order to improve temporary

accommodation in the city. It also contained figures to aid Members to understand if it would be better value for money for the Council to manage emergency accommodation itself, or to continue with the current practice.

Key points and themes in the report included:-

- Details of where the capital budget had been used to improve the provision of good quality temporary accommodation within the broad geographical boundaries of the city, which included:-
 - Development of Apex House;
 - Buying or larger properties for families;
 - Refurbishment of Shared Housing;
 - Refurbishment of Woodward Court;
 - Refurbishment of Women's Direct Access Centre;
 - Adaption of accommodation at Dalbeattie Street; and
 - Investment in Extra Care facilities;
- An overview of the Next Steps Accommodation Programme (NSAP) Ministry for Housing, Community and Local Government (MHCLG) and Homes England Bid;
- Information on Emergency Accommodation being built and managed by the Council; and
- Detail on the value for money that could be derived from the Council building its own provision for homelessness.

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

- Assurance was sought that with the Apex House site being a former office, the properties would be of a decent size with appropriate levels of natural lighting for each property;
- Had any work been undertaken with partners who had hostel accommodation in reconfiguring this accommodation into a more appropriate configuration to ensure it was COVID secure;
- Was there any update on cost effectiveness of buying larger properties;
- What demand was there on PPE equipment from those coming out of hospital or prison;
- Did any monitoring of BAME residents in temporary accommodation take place;
- Whilst it was sad that our residents require temporary accommodation, it was pleasing to see temporary accommodation being provided within the boundaries of Manchester;
- Clarification was sought as to who would be providing the support to those residents that would be accommodated in Apex House;
- It was hoped that through reducing the demand on temporary accommodation from families and the cost that this would save, this money could be re-invested in building more large social housing for families to live in; and
- Was it proposed that all dispersed accommodation was to be managed by an external provider as the current contract came to an end or was this just in relation to Apex House.

The Director of Homelessness confirmed that Apex House would conform to all the temporary accommodation standards and Members would be welcome to visit the site when it was completed. In terms of the issue raised around hostels, this was regularly reviewed and the Council had had to cease using a number of hostels and shared spaces due to the risk of COVID. Government had issued guidance around the safe use of hostel space, and discussions were taking place with partners to make these types of accommodation more COVID secure.

The Director of Homelessness advised that the Council had committed to spending £8.5million on the purchase of 42 larger properties. The value of purchasing these properties was found from improving the health, social skills and educational attainment of children in families who were in temporary accommodation for many years due to the lack of availability of larger social housing. It was also confirmed that the cost of keeping a family in temporary accommodation for many years was significantly high and it was more cost effective for the Council to purchase and have control over large properties for families if this was viable. In terms of PPE, he advised that all in-house services had a good arrangement around the supply of PPE, however he did not have figures on pressure from hospital and prison discharges. He also confirmed that the Council monitored protected characteristics and ethnicity of those in temporary accommodation and agreed to provide figures on this to the Committee.

The Committee was advised that Manchester Council staff would be operating at Apex House and providing the support needed for residents in this accommodation.

The Executive Members for Skills, Culture and Leisure supported the comments made around the need to accelerate the building of larger social housing for families, in order to provide greater long term security for families.

The Director of Homelessness explained that a small pilot had been planned for the New Year, in relation to the dispersed accommodation contract. This was to see if an external provider could access a different benefit rates to reduce the cost to the Council for the provision of dispersed accommodation. This would not affect Apex House. He added that in all aspects of temporary accommodation, the key driver for the Directorate was to be more outcome focussed, in so much as getting the right property for the right people and families resulting in a reducing demand on the need for temporary accommodation.

Decision

The Committee notes the report.

RGSC/19/41 Supplier Assurance

The Committee considered a report of the Deputy Chief Executive and City Treasurer, which outlined the steps normally taken by the Council to mitigate the risk of supplier failure for major capital projects and larger revenue contracts and the additional measures that had been in operation due to the increased pressure on suppliers as a result of the Covid-19 pandemic.

Key point and themes in the report included:-

- Following the Dawnus incident, a review was carried out into the approach to Due Diligence for significant contracts which concluded that a range of indicators should be used with key suppliers on an ongoing basis and not just at the point of award of a contract;
- The Integrated Commissioning and Procurement Unit had developed a system of categorisation for contracts based on how critical they were and how they were performing;
- This system helped to provide an initial guide as to which contracts might require more intensive financial scrutiny linked to risk rather than just value;
- Having identified any critical contracts a range of tools were now in use to inform those involved in management of contracts about the financial stability and any specific risks relating to a key supplier;
- In response to the Covid-19 outbreak, the Integrated Commissioning and Procurement Unit had subscribed to an application “Company Watch” which, as well as providing information on a suppliers’ financial position, provided an additional “Covid Scenario Forecast H-Score” which provided an additional rating on how susceptible a supplier might be to issues created as a result of the pandemic; and
- The Council had recently established a Due Diligence Working Group with representation from Audit, Finance, Development and Shared Services that was reviewing current Due Diligence arrangements in respect of suppliers, various partners and other organisations that were commercially involved with the Council.

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

- Could the PPN arrangements that were currently under review by the Cabinet Office, if not extended, be used as a baseline of good practice;
- Could assurance be given that projects could be adjusted in ways that social value was being delivered due to the impact of COVID; and
- Assurance was sought that top tier contractors were paying promptly to other suppliers further down the supply chain.

The Head of Integrated Commissioning and Procurement advised that the indication from the Cabinet Office was that they were not prepared to continue with supporting local authorities with any spend for supporting suppliers. Officers were working with service units across the Council to consider what arrangements needed to be put in place where this support could either be wound down or continued. In relation to Social Value, it was explained that this was monitored on a contract by contract basis and ongoing discussions were taking place with contractors around how social value could be derived under current COVID restrictions. He also advised that the prompt payment of suppliers could be an issue which was difficult to address but was something that was looked at to try and ensure it did not lead to supplier difficulties.

Decision

The Committee notes the report.

RGSC/19/42 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.

Decisions

The Committee:-

- (1) Notes the report.
- (2) Agrees the Work Programme as submitted.

RGSC/19/43 Exclusion of Press and Public

Decision

The Committee agrees 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/19/44 The Factory

The Committee considered a report of the Strategic Director, Growth & Development and the Deputy Chief Executive and City Treasurer, which updated Members on: progress with the delivery of The Factory, including the impact of Covid-19 on the project and progress with the redevelopment of St John's.

Having had regard to the report, the Committee asked a number of questions to which the Officers responded.

Decision

The Committee:-

- (1) Whilst noting the intention, expresses its disappointment, to further increase of the Capital Budget resources to support the delivery of Factory in advance of external contributions being received by the Council, in order that the Council can continue to meet its contractual obligations.
- (2) Notes the progress with the delivery of The Factory.
- (3) Notes the proposals for seeking external funding contributions.
- (4) Recommends that it receives a report at a future meeting that provides an update on the progress that is being made with external funding contributions.
- (5) Recommends that it receives a report at a future meeting on the Ethical Policy Statement and the issues identified as part of the procurement process in regards to potential naming rights.

- (6) Notes the intention to make the next formal submission of the updated business plan to Arts Council England (ACE) in December 2020 and the planned Business Case review process with ACE.
- (7) Notes the progress in the development of employment, training and education opportunities and creative engagement programmes as part of The Factory's skills development programme.