

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Thursday, 9 November 2023

Present:

Councillor Simcock (Chair) – in the Chair

Councillors Andrews, Brickell, Connolly, Evans, Kilpatrick, Kirkpatrick, Lanchbury and Stogia

Also present:

Councillor Akbar, Executive Member for Finance and Resources

Councillor Moran, Deputy Executive Member for Finance and Resources

Apologies: Councillor Davies and Wheeler

RGSC/23/61 Minutes

Decision:

That the minutes of the meeting held on 12 October 2023 be approved as a correct record.

RGSC/23/62 Update on New Procurement Regulations

The committee considered a report of the Head of Integrated Commissioning and Procurement which provided an update on new procurement regulations and advised the committee of the implications for the Council's future procurement activity.

Key points and themes within the report included:

- Providing an introduction and background to the Procurement Bill 2022;
- Details of changes to procurement processes; supplier exclusion; resolving disputes over tenders; and social value;
- The likely impact of these changes;
- Opportunities for contracting authorities under the new regulations;
- New regulations on transparency and publication of data relating to procurement, including the implementation of a Transparency Platform;
- The establishment of the Procurement Review Unit and its purposes;
- Regulations for the Provider Selection Regime, which would come into effect on 1 January 2024; and
- Training on the new regulations.

Key points and queries that arose from the committee's discussions included:

- Whether the new regulations would make the procurement process more difficult;

- If the Procurement team were working with IT to ensure the correct systems were in place;
- Whether there would be any delay to the Council implementing the new regulations as a result of the establishment of central government's new Procurement Review Unit;
- If the new regulations would help to enable the Council to use local suppliers;
- The solution for the Council, given the national delay in implementing the National Procurement Policy Statement due to technical legal issues;
- The impact on resources arising from the new requirement to publish notices throughout the procurement lifecycle;
- Whether suppliers could be excluded at shortlisting stage;
- How value-for-money would be considered in the procurement process as a result of the new regulations;
- What kind of contracts would be subject to the 'light-touch approach' and why the government did not want to retain this;
- The grounds on which a supplier could legitimately challenge a contract award; and
- What information had been provided by the Cabinet Office on sharing best practice.

In introducing the item, the Head of Integrated Commissioning and Procurement emphasised the opportunities for the Council that arose from the new procurement regulations, such as taking a more commercial approach and increased transparency. He informed the committee that the new regulations would come into effect in 11 months and that communication and training would be undertaken during this period. He also advised that the Procurement service was fully staffed following recent recruitment.

The committee was advised that the Council had previously engaged with local suppliers to the greatest possible extent and that the new regulations did not reference dividing contracts into lots. The new regulations would allow the Council to take local priorities into greater account when awarding contracts, although the detail on this remained unclear. The Head of Integrated Commissioning and Procurement also advised that the Local Government Act 1988 which stipulated that local authorities could not take non-commercial matters into consideration when awarding contracts, would be reworded to allow greater freedom.

In response to a query from the Chair, the Head of Integrated Commissioning and Procurement stated that the previous regulations were considered difficult and cumbersome and that the new regulations were less prescriptive and allowed authorities greater freedom. He noted that the Council could continue to take similar approaches to contracts as done previously. It was also stated that one aspect of the regulations remained unclear because the details of the regulations would be released over time but there was mention of the Council being able to take local priorities into greater consideration when awarding contracts.

The committee was advised that the Council had previously engaged with local suppliers to the greatest possible extent and that the new regulations did not reference dividing contracts into lots. The new regulations would allow the Council to take local priorities into greater account when awarding contracts, although the detail

on this remained unclear. The Head of Integrated Commissioning and Procurement also advised that the Local Government Act 1988 which stipulated that local authorities could not take non-commercial matters into consideration when awarding contracts, would be reworded to allow greater freedom.

Regarding central government's new Procurement Review Unit, members were informed that this was an enhancement of the current Public Procurement Review Service and would have significantly greater powers. The effect on this for the Council was expected to be miniscule, although the Head of Integrated Commissioning and Procurement noted that the Unit may be busy from the outset given that publicity of the new regulations was resulting in many SMEs and companies anticipating more contracts from local authorities at a time when local authorities will have tighter budgets.

In response to a query regarding the technical legal issues relating to the National Procurement Policy Statement, the Head of Integrated Commissioning and Procurement explained that it was proposed to amend wording within the new regulations to allow contract awards to be restricted in certain circumstances to companies within a county or London borough boundary. It was noted that some contracts, such as those with the NHS, could overlap county boundaries and the technicalities of this were still being agreed.

The Head of Integrated Commissioning and Procurement confirmed that there would be an implication on resourcing as a result of the new requirement to publish notices throughout the procurement lifecycle but reiterated that there had been significant investment into improving contract management and a tool which would flag expiry dates of contracts. The Commissioning Lead explained that the Council was already required to publish summary details of contracts over a value of £30k on a government website, to which the Council's procurement portal linked directly, and monthly spend over £500. The new regulations would require publication of performance monitoring for contracts worth over £5m.

The committee was advised that the Council worked closely with the Cabinet Office through the Local Government Association (LGA) and that the Head of Integrated Commissioning and Procurement chaired the LGA's national advisory group for procurement, which had discussed how sharing best practice would work in reality. Details of approaches to procuring various categories of spend had been provided by the government's commercial function and the Procurement Review Unit would work with the Crown Commercial Services, which provides frameworks for local authorities.

In response to a query regarding value-for-money, it was stated that previous practice had favoured the most economically advantageous tender, but the new regulations had revised this to the most advantageous tender, which would encompass price, quality, contribution to local economy and contribution to climate change targets. The Deputy City Treasurer stated that value-for-money remained paramount in the Council's activity.

It was noted that the current regulations lend to a drawn-out process for suppliers who may be unhappy with the outcome of a contract award, but the new regulations

would enable a more straightforward process to resolve disputes and a body would be established, linked to the Procurement Review Unit, to adjudicate such disputes.

The Commissioning Lead explained that the 'light-touch regime' principally applied to social care services and previously applied to healthcare services, although these were now subject to a different regime. He stated that the new competitive procedure applied a light-touch approach to most contracts and provided greater flexibility, which was retained under the new regulations. He further explained that the new competitive procedure was designed to emulate the 'light-touch regime' but a number of authorities, including the Council, advocated for an explicit regime for social care services. Members were informed that the Procurement Bill went further than the new regulations to ensure that there were strong grounds to not require competing tenders, such as in individual contracts where the service user's choice was taken into account and allowed the Council to make individual judgements on care packages.

The Deputy City Treasurer welcomed the Procurement Act and reiterated that the Council's procurement team was nearly fully staffed and had received requisite funding for a new contract management system, which would help with the implementation of the new regulations.

The Executive Member for Finance and Resources also welcomed the new regulations and recognised that this would simplify the procurement process, improve transparency, and could provide a pathway for new businesses and local companies to secure public contracts. He stated that the development of the new regulations demonstrated the improvements for residents that could occur when the government listened to local authorities.

Decision: That the report be noted.

RGSC/23/63 Social Value

The committee considered a report of the Head of Integrated Commissioning and Procurement which provided an update on the social value delivery of the Council and its wider partnerships.

Key points and themes within the report included:

- The work of the Social Value Governance Board;
- The introduction of a Social Value Co-ordinator role on a 2-year fixed-term contract;
- Updates on social value within contracts, including major contracts;
- Measurement of social value;
- Training and guidance;
- A refresh of procurement documentation, including Invitation to Tender documents;
- The Social Value Fund and projects which have benefited from this;
- Case studies from suppliers; and
- The work of the National Social Value Task Force.

Key points and queries that arose from the committee's discussions included:

- Welcoming the comprehensive appendices;
- How local members could work with their Neighbourhood teams to suggest projects that may benefit from social value;
- What the Key Performance Indicators (KPI) and monitoring process would be for the social value road map at appendix 4;
- If there was a link between the new procurement regulations and social value;
- Who was responsible for monitoring social value;
- How the success of social value delivery was communicated with residents, with particular reference to the Our Town Hall project;
- How members could get more social value embedded within their wards;

The Deputy Executive Member for Finance and Resources introduced the item and thanked the committee for their continued interest in the Council's social value work. She stated that the Council was continuing to lead on and deliver a wide range of social value and Manchester had the highest social value and zero carbon weightings in procurement than any other local authority in the country.

The Chair relayed a written representation from Councillor Reid to the committee, which commended the social value work undertaken by Morgan Sindall which was contracted for the development of Gorton Hub and Hammerstone Road. Councillor Reid stated that Morgan Sindall recruited local people to apprentices and placed great emphasis on mental health support for their employees. Local community groups had also been assisted in their projects by volunteers from Morgan Sindall.

In response to queries, the Commissioning Lead noted that further work was needed to identify local members' roles in identifying areas for social value work and this could be undertaken by the Social Value Governance Board. He explained that the brokerage workstream of the Social Value Governance Board Task and Finish Group tried to identify how the Council could connect opportunities with local need. This would be progressed with the Social Value Governance Board and the Head of Integrated Commissioning and Procurement advised that there had been discussion on how to link this with Neighbourhood Investment Funds.

The Commissioning Lead acknowledged that measurement of social value was a challenge for many authorities and partners and the Council was currently part of a Co-operative Councils' network which looked at social value measurement. This was a challenge because there were several measurement frameworks available, such as Themes, Outcomes, Measures (TOMS) although it was noted that this framework was difficult to use when measuring social value delivered by voluntary, community and social enterprise (VCSE) groups. He stated that there had been significant work undertaken in the last year to identify a more consistent measurement of social value and KPIs had been developed.

In response to a query regarding a link between the new procurement regulations and social value, the Head of Integrated Commissioning and Procurement stated that there was no reference to social value in the new regulations but that the Procurement Act supported social value delivery through the amendment to award contracts to the most advantageous tender.

The committee was advised that there was an internal resource or a social value portal which were responsible for monitoring the social value delivery of major projects through the collection and verification of data and this was something that officers wanted to embed into the management of all contracts. The Commissioning Lead also advised that a Social Value Co-ordinator had been recruited and would begin work in January 2024. This role was established following the success of a dedicated resource on other projects and would be responsible for liaising with teams across the Council to promote opportunities for social value and collate information on delivery.

The Commissioning Lead explained that Social Value Governance Board Task and Finish Group was seeking to improve communication on social value work and the Council's Communications team and wider corporate services, such as HROD, were involved in promoting this. The Head of Integrated Commissioning stated that the Council previously held annual social value event, but it was felt that this only reached those involved in social value work already and officers wanted to identify better methods of communication.

It was also noted that different industries were in different places with their social value work, for example the highways and construction sectors who had been delivering social value for a number of years.

The Deputy Executive Member for Finance and Resources thanked officers for their work and recognised the role of members in being best placed to identify areas in their communities that could benefit from social value. She reiterated that the Council was a leader on social value work and acknowledged that it was sometimes easier to communicate social value work on the Our Town Hall project than it was for highways projects but this was an area of consideration going forwards with a communications plan in development.

Decision:

That the committee

1. notes the report, and
2. requests that the next Social Value Update report includes further information on how social value work is communicated.

RGSC/23/64 2024/25 Budget Proposals

The committee considered a report of the Deputy Chief Executive and City Treasurer which outlined the priorities for the services in the remit of this committee and detailed the initial revenue budget changes proposed by officers.

Key points and themes within the report included:

- An estimated budget shortfall of £46m was expected in 2024/25, £86m in 2025/26, and £105m by 2026/27;

- This gap would reduce to £1.6m in 2024/25, £30m in 2025/26 and £49m by 2026/27 after the application of approved and planned savings and the use of c£17m smoothing reserves in each of the three years;
- Changes to the Medium-Term Financial Plan;
- The resources available to the Council and those required;
- Additional directorate pressures;
- The planned public consultation on proposed council tax levels and savings and cuts measures;
- Next steps for the budget process;
- An overview of the service area and priorities of the Corporate Core directorate, including the base budgets for each service area for 2023/24;
- The savings plan for 2024-27 and further options for saving;
- Workforce implications, including a review of vacant posts, particularly those vacant for longer than 12 months, to determine which should be deleted with the least impact on service delivery;
- Additional funding of £1m had been allocated to offset the lower rental income that can be realised due to the Christmas Markets using a smaller footprint as a result of the temporary closure of Albert Square. This funding will then be used to meet some of the increased operating costs of running the civic estate once the Town Hall is reopened;
- Government grants and the income they provide;
- Future opportunities and risks;
- The indicative medium-term budgets by service area; and
- The indicative medium-term budgets by type of spend/income.

Key points and queries that arose from the committee's discussion included:

- Recommending residents read the Leader's letter to the Chancellor of the Exchequer prior to completing the Council's budget consultation;
- Noting that high inflation was costing the Council £21m per year, which was not recognised by the government;
- Expressing frustration at the lateness with which the Local Government Finance Settlement was provided;
- How many grants the Council was currently in receipt of, and how this compared to previous years;
- Why the costs for IT to move to a hybrid cloud solution were revenue and not capital spend;
- Why the year-on-year spend for cloud-based services increased and if there were any potential savings as a result of moving to a hybrid cloud solution;
- What work was underway to reduce the need for agency staff within the IT service;
- How eligible families were identified for the Household Support Fund 4 (HSF4) and how the Council could continue to provide such support if the government cut this funding in the future;
- How the Finance Settlement might affect the Greater Manchester Business Rates Retention pilot scheme;
- The staff pay award;
- Whether the government may offer inflationary assistance in order for the Council to maintain service delivery;

- Suggesting that the public consultation on the budget should reference where the Council had successfully made savings previously;
- Noting that most savings would be the result of deleting vacant posts, and querying at what point long-term vacant posts were identified for deletion; and
- Commending the work of officers and expressing concern over the growing funding gap in future years.

In introducing the item, the Executive Member for Finance and Resources stated that there had been warnings of budgetary pressures amongst local authorities since 2012 and the LGA had recently found that English councils were facing a shortfall of £4bn in the next financial year. He stated that Manchester was a well-managed council, despite having lost £443m of its overall budget since 2012, and that difficult financial decisions had been made at the appropriate time and smoothing reserves had been used prudently. He argued that the government did not value or recognise the work and services of local authorities and that budget cuts were driven by ideology which meant that councils like Manchester with higher levels of deprivation were more significantly impacted.

The Executive Member for Finance and Resources also advised the committee that the government's Autumn Statement would be provided on 22 November and the Leader of the Council had written to the Chancellor of the Exchequer to call on him to provide adequate funding for councils like Manchester and to end the practice of issuing Local Government Finance Settlements at the last minute, which did not provide any certainty or ability to plan for the future.

The Deputy City Treasurer explained that the challenges highlighted by the Executive Member had been compounded by the Covid-19 pandemic and rising inflation rates. He reminded members that a balanced budget for 2024/25 had been set as part of the 2023/24 budget process and this was based on the Council delivering £36m of savings and using £53m of reserves to ease pressure on frontline services. He advised that there was now a gap of £1.6m in this balanced budget and that a £49m gap was emerging by the 2026/27 financial year. He also advised that the proposals in the report aimed to protect investments made previously into street cleaning, neighbourhoods and cost-of-living support.

The Deputy City Treasurer advised that the Council was in receipt of around 200 grants and most of these were only guaranteed for the following year, which he stated made spending decisions and planning difficult. He also advised that there were overheads involved with receiving some of these grants, such as time and resource required to prepare and submit bids.

In response to queries regarding the budget for a hybrid cloud solution, the committee was informed that the Capital Programme was fairly mature and underpinned by significant borrowing, for which the Council had the budget to fund. He noted, however, that the capacity for borrowing was restricted due to high inflation rates. He explained that there was a drive to decrease the amount of on-premise IT hardware and to buy software services instead.

The Director of ICT explained that agency staff had been recruited where there was additional demand and there was work underway to review the target operating

model for IT. This would seek to identify continued demand and how this could be met by recruiting more permanent staff. He noted that contract resources were occasionally needed to provide specific skills for which the Council did not require on a long-term basis.

In response to a question regarding HSF4, the Deputy City Treasurer explained that this amounted to around £13m of funding per year and an allocation policy for this had been designed as part of the 2023/24 budget process. Around half of this funding was spent on administering Free School Meals and the Holiday Activities programme. There were also a number of targeted schemes such as food support.

He stated that the Council had a package of cost-of-living support measures which would be retained, although some of this budget would be used to fund the increase in the Council Tax Support Scheme discount and he recognised that it would be challenging if the HSF4 scheme was to end. The Head of Finance explained that there was a criterion of residents who would be supported through HSF4, including disabled households and the elderly, and that work was ongoing to review the Council's support packages with a report to this committee in January 2024 which would set out the future model of support.

The Deputy City Treasurer explained that the GM Business Rates Retention Pilot scheme would continue for 10 years as part of the Devolution Trailblazer and that this had been factored into the Medium-Term Financial Plan. He advised that the Council tended to be compensated for any business rates relief schemes and that there was an ongoing government consultation on proposed changes to the indexation rate.

It was also confirmed that this year's staff pay award had been agreed and would be a flat fee increase of £1,925 again. There were indications that future pay awards may revert to previous practice of a 2.2% increase, but the Council had prudently budgeted for a 4% increase.

In response to a member's question, the Deputy City Treasurer stated that he did not anticipate the government providing financial help for rising inflation costs. He also stated that officers were proposing to begin work on the 2025/26 budget soon after this year's budget had been approved.

Regarding the proposed deletion of vacant posts, the Deputy City Treasurer explained that a lot of work was underway on this. He acknowledged difficulties in recruiting to certain posts and stated that part of this work included challenging service areas on the need to keep posts that had been vacant for more than 12 months. He noted the need to approach this sensitively and confirmed that more detail on this would be provided in February 2024. A member also suggested that this information should be broken down into service areas for greater clarity.

In closing the item, the Executive Member for Finance and Resources commended officers for their dedicated work and reinforced the importance of a sustainable budget for residents.

Decision:

That

1. the report be noted, and
2. the committee requests that information on vacant posts which could be deleted be broken down by service area in the next Budget report.

RGSC/23/65 Overview Report

The committee received a report of the Governance and Scrutiny Support Unit which provided details of key decisions that fell within the Committee's remit and items for information previously requested by the Committee. The report also included the Committee's work programme, which the Committee was asked to amend as appropriate and agree.

A member noted the responses to recommendations made at the previous meeting and wished to place on record her thanks to officers in HROD for this.

Decision:

That the report be noted and the work programme agreed.