



# **Resources and Governance Scrutiny Committee**

Date: Thursday, 11 January 2024

Time: 10.00 am

Venue: Council Chamber, Level 2, Town Hall Extension

Everyone is welcome to attend this committee meeting.

There will be a private meeting for committee members only from 9:30am on Thursday, 11 January 2024 in Room 2006, Level 2, Town Hall Extension.

## **Access to the Public Gallery**

Access to the Public Gallery is on Level 3 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. **There is no public access from any other entrance.**

## **Filming and broadcast of the meeting**

Meetings of the Resources and Governance Scrutiny Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

## **Membership of the Resources and Governance Scrutiny Committee**

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**Councillors** - Simcock (Chair), Andrews, Brickell, Connolly, Davies, Evans, Kilpatrick, Kirkpatrick, Lanchbury, Rowles, Stogia and Wheeler

## Agenda

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- 1. Urgent Business**  
To consider any items which the Chair has agreed to have submitted as urgent.
- 2. Appeals**  
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.
- 3. Interests**  
To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.
- 4. Minutes** 5 - 18  
To approve as a correct record the minutes of the meeting held on 7 December 2023.
- 5. Increasing Council Tax Premiums on Empty Properties** To Follow
- 6. Cost of Living and Anti-Poverty Support** To Follow
- 7. Changes to Council Tax Support Scheme from April 2024** To Follow
- 8. Feasibility Study into Ending the Use of Enforcement Agents** To Follow
- 9. Provisional Local Government Finance Settlement 2024/25 and Budget Assumptions** To Follow
- 10. Sales Fees and Charges** To Follow
- 11. Overview Report** 19 - 36  
Report of the Governance and Scrutiny Support Unit.  
  
This report provides the Committee with details of key decisions that fall within the Committee's remit and an update on actions resulting from the Committee's recommendations. The report also includes the Committee's work programme, which the Committee is asked to amend as appropriate and agree.
- 12. Commercial Activity, Investments and Governance (Part A)** 37 - 46

Report of the Deputy Chief Executive and City Treasurer.

The Council is involved in a wide range of commercial activities, including, but not limited to, provision of loans to third parties, Joint Ventures, investments into a range of initiatives and property transactions. This report provides an overview the governance and assurance activity which take place before, during and post completion of commercial transactions.

This report is accompanied by Part B report, which goes into more detail about the Council's commercial ventures.

**13. Exclusion of Press and Public**

The officers consider that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Committee is recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item.

**14. Commercial Activity, Investments and Governance (Part B)**

To Follow

## Information about the Committee

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Scrutiny Committees represent the interests of local people about important issues that affect them. They look at how the decisions, policies and services of the Council and other key public agencies impact on the city and its residents. Scrutiny Committees do not take decisions but can make recommendations to decision-makers about how they are delivering the Manchester Strategy, an agreed vision for a better Manchester that is shared by public agencies across the city.

The Resources and Governance Scrutiny Committee areas of interest include finances, Council buildings, staffing, corporate and partnership governance as well as Council tax and benefits administration.

The Council wants to consult people as fully as possible before making decisions that affect them. Members of the public do not have a right to speak at meetings but may do so if invited by the Chair. To help facilitate this, the Council encourages anyone who wishes to speak at the meeting to contact the Committee Officer in advance of the meeting by telephone or email, who will then pass on your request to the Chair for consideration. Groups of people will usually be asked to nominate a spokesperson. The Council wants its meetings to be as open as possible but occasionally there will be some confidential business. Brief reasons for confidentiality will be shown on the agenda sheet.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website [www.manchester.gov.uk](http://www.manchester.gov.uk).

Smoking is not allowed in Council buildings.

Joanne Roney OBE  
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## Further Information

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For help, advice and information about this meeting please contact the Committee Officer:

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This agenda was issued on **Wednesday, 3 January 2024** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester M60 2LA

## **Resources and Governance Scrutiny Committee**

### **Minutes of the meeting held on Thursday, 7 December 2023**

#### **Present:**

Councillor Simcock (Chair) – in the Chair

Councillors Andrews, Brickell, Kilpatrick, Kirkpatrick, Lanchbury, Rowles, Stogia and Wheeler

#### **Also present:**

Councillor Rahman, Statutory Deputy Leader

Councillor Akbar, Executive Member for Finance and Resources

Councillor White, Executive Member for Housing and Development

**Apologies:** Councillors Connolly, Davies and Evans

#### **RGSC/23/66 Interests**

Councillors Kilpatrick, Lanchbury and Stogia declared personal interests in item 5 – Annual Property Report.

#### **RGSC/23/67 Minutes**

#### **Decision:**

That the minutes of the meeting held on 9 November 2023 be approved as a correct record.

#### **RGSC/23/68 Annual Property Report**

The committee considered a report of the Deputy Chief Executive and City Treasurer and the Strategic Director (Growth and Development) which provided an update on property activity since the previous update to the committee in September 2022.

Key points and themes within the report included:

- Progress made and initial activity of the Strategic Asset Management Plan (SAMP) including the Asset Review and governance;
- The work of the Council's Development Team and Investment Estate in delivering against the Council's objectives for residential and employment growth;
- A decision not to retender the contract for property management of the Council's investment estate to Jacobs UK Ltd.;
- Significant developments across the city;
- An update on the Council's operational estate, comprised of approximately 350 assets used by the Council to deliver services;
- The work of the Facilities Management service;

- The Zero Carbon Estates Programme;
- The Council's Property Asset Database (CPAD);
- An update on the Our Town Hall project; and
- The use of agency staff.

Some of the key points and queries that arose from the committee's discussions included:

- Welcoming the redevelopment of the Church Street car park, and querying whether the disposal of this meant that the Council would no longer have ownership for this land;
- Highlighting the need for member involvement in the redevelopment of Church Street car park and the importance of retaining the war memorial there;
- If there would be enough car parking in the city centre if the Church Street car park was redeveloped;
- Requesting further information on the Parks Buildings Strategic Group and potential opportunities for buildings in parks;
- The need to understand the implications on the Council's financial position of the return in investment from Manchester Airport;
- Welcoming changing places in parks and the social value work across the property service;
- How much priority was given to maintaining council-owned land;
- What was meant by 'surplus assets';
- How members were involved in the use and purchase of Council-owned land in their wards;
- If the SAMP Board members had the right skills and knowledge in estates management to ensure a maximum return on investments;
- Recognising the Council was awarded Levelling Up funding for Wythenshawe and commending those involved in this;
- Requesting more information on the 1,800 peppercorn leases in the Council's investment portfolio and how these could be viewed on CPAD;
- The vacancy rate amongst council-owned land and properties;
- Whether banks could use surplus space in local libraries across the city;
- Noting that several projects started when interest rates were low, and how viable these schemes were now given the increase in interest rates;
- The quality of early years buildings;
- Whether the Council's website should be amended to reflect that the Town Hall would not reopen in 2024; and
- Why officers were confident in their ability to reduce the requirement for agency staff and to recruit full-time staff.

The Statutory Deputy Leader introduced the report and emphasised the establishment of the SAMP Board, which provided a cohesive and coordinated approach to the Council's estates and developments. He stated that the Council was trying to address issues around climate change and reducing carbon emissions within the corporate estate.

The Executive Member for Housing and Development stated that the report highlighted the extent of development in the city, with particular reference to affordable housing, district centre investment and other regeneration schemes.

In response to queries regarding Church Street car park, the Assistant Director of Development and Investment Estate explained that a decision on the redevelopment of this site had not yet been made and was subject to an assessment by the SAMP Board but that it was likely to cease being a car park. He explained that a planning brief was being created in consultation with planning officers and noted that heritage was an important assessment factor and that consultation with local members would be undertaken. It was also stated that car parking capacity fell under the remit of the Parking Strategy, which was currently in development and would include a mapping exercise of car parks to understand capacity and utilisation of spaces and to model the impact of redeveloping Church Street car park, which would help to inform the SAMP Board's decision.

The Head of Corporate Estate and Facilities explained that the Parks Buildings Strategic Group was established by the Parks service to ensure that the Council's property function could support the delivery of the Parks Strategy. The estates service provided support in the form of investments, carbon works and occupation agreements, for example.

The Deputy Chief Executive and City Treasurer committed to providing a report on the Council's investment in Manchester Airport under a Part B session and stated that she could not speculate on future dividend income or distributable returns.

The committee was advised that a thorough, long-term piece of work was underway to identify the current conditions of all Council-owned land. Work was also underway with colleagues in Neighbourhoods where a different approach to clearing land was needed and it was anticipated that new arrangements would be in place at the committee's next annual update. The Statutory Deputy Leader stated that the SAMP Board allowed for a more cohesive approach to centralise work with one point of contact responsible for maintaining pieces of land. Members were also informed that the 2024/25 budget proposals included a small amount of investment for reactive works such as addressing flytipping and clearing land to tackle barriers to completing work where land was owned by an organisation other than the Council.

It was clarified that the term 'surplus' was meant in regard to operational requirements and sites which could be reviewed for alternative use.

The Assistant Director of Development and Investment Estate explained that the Estates service had recently been successful in employing staff with new skillsets and a commercial focus in the last 12 months to recognise the wider remit of the service. Specific expertise would be commissioned externally where required but the Assistant Director of Development and Investment Estate remained confident in the skillset and commercial awareness within the service.

In response to a query regarding member involvement in the use and purchase of Council-owned land in their wards, it was explained that there was a two-stage process which involved surveyors identifying assets in consultation with colleagues in Growth and Development to determine an appropriate set of future options for a site, such as redevelopment, reinvestment, or refurbishment. These options were then considered by the SAMP Board to provide more detail and a financial appraisal at which point members would be formally engaged with. The Statutory Deputy Leader also confirmed that three Executive Members were appointed to the SAMP Board and reiterated a commitment to ensuring meaningful and timely consultation with members.

The Statutory Deputy Leader offered to provide a report on peppercorn leases and the Head of Corporate Estate and Facilities endeavoured to write to Councillor Andrews with further information on training and how to access CPAD.

The committee was informed that the vacancy rate of the Council's estate and properties was not reported by square meterage or percentage, although it was acknowledged as being possible. The Head of Corporate Estate and Facilities noted that the SAMP Board was being used to review the vacant property list and to ensure that those assets were being considered for use. Use of space in libraries or community centres was actively encouraged and there was an example of a bank delivering services from a local library in Longsight.

The Head of Corporate Estate and Facilities stated that the Council had recently committed capital funding investment into the early years estate and that the market had changed significantly since 2010 when it had been hoped that the assets would generate a sufficient profit to reinvest in the buildings. He stated that one tranche of capital activity had been delivered this year with significant improvements made and a second phase would take place in 2024.

In response to a question regarding interest rates, the Director of Development explained that the property estate was a long-term portfolio which enabled strategic mapping and weathering of economic cycles. He stated that the Council had been able to bolster the viability and deliverability of some of the schemes listed in the report by leveraging them as investable propositions and by leveraging GAP funding. He explained that many projects were in receipt of Levelling Up funding and were joint schemes with central government agencies such as Homes England. The Devolution Brownfield Housing Grant was also being used in residential developments.

It was also acknowledged that the error on the Council's website with regards to the Town Hall reopening date had been flagged and that this would be amended.

The Head of Corporate Estate and Facilities stated that there had been a recent recruitment drive, noting the success of the Growth and Development team in attracting surveyors, and that further recruitment for surveyors would take place in the New Year.

**Decision:**

That the report be noted.

**RGSC/23/69 Capital Programme - Impact of Recent Market Changes and Budget Process**

The committee considered a report of the Deputy Chief Executive and City Treasurer which provided an update on the impact of recent changes in financial and construction markets on the capital programme and an update on the proposed capital budget process for 2024/25. It also highlighted the increased Government and public scrutiny of Council capital programmes and borrowing approaches, following the issuing of several Section 114 notices as a result of poor capital investment decisions.

Key points and themes within the report included:

- Providing an introduction and background to the capital budget update;
- The Council's current balance sheet position, including external debt and capital financing requirement;
- A renewed focus across the local government sector on financial sustainability;
- The current approved Capital Programme and its capacity;
- How the Programme was being financed; and
- The proposed financing and budget approaches.

Some of the key points and queries that arose from the committee's discussions included:

- If the increased scrutiny of local authorities was driven by the publication of Section 114 notices by some local councils;
- The support provided by the Office for Local Government (OFLOG);
- The probability of having to end capital programme projects and how this is monitored;
- How the drawdown of reserves and being cautious would impact the CRF and future capital investment;
- Whether the current forecast for the approved capital programme table would be updated to reflect budget increases for the Town Hall refurbishment and any other programme; and
- The approach to the Minimum Revenue Provision (MRP) and how this would sustain unforeseen increases in borrowing.

The Deputy Chief Executive and City Treasurer introduced the report and highlighted the increased scrutiny of local authorities' borrowing activity and that this would be looked at in more detail following the establishment of OFLOG. She also assured the committee that work was underway on the shape of the capital programme for the

next 5 years and how this would balance investment in infrastructure, external funding and the scope for new investment priorities.

In response to a query from the Chair, the Deputy Chief Executive and City Treasurer stated that the increased scrutiny of local government recognised concerns over the high levels of borrowing and Joint Ventures in some local authorities which did not necessarily have the resources or expertise to correctly manage risk.

The committee was advised that OFLOG was still developing their approach and capacity to provide support, but it would try to encourage a culture of early intervention to identify warning signs and signpost authorities to expertise and support. OFLOG would identify a suite of metrics, such as levels of borrowing, to highlight areas for further discussion.

The Deputy Chief Executive and City Treasurer stated that the Council would only take on new borrowing if it was clear and strategically aligned to a Council priority and an invest-to-save approach was currently being assessed. She provided assurances that none of the capital programme projects would be cancelled currently as all schemes were affordable and officers continued to review the capital programme.

It was stated that the relationship between reserves and borrowing was two-fold, and that the capital financing requirement remained the same irrespective of internal borrowing against reserves. It was recognised that significant additional borrowing was required for programmes such as the Town Hall refurbishment and provision within reserves to cover this had been ensured. The Deputy Chief Executive and City Treasurer acknowledged that additional borrowing would need to result in additional increases in the capital financing budget.

The Deputy Chief Executive and City Treasurer explained that the 2022/23 capital programme was continuously changing and updated on a quarterly basis when new schemes were added. She noted that projections also changed and that the most up-to-date forecast would include the latest approved funding increases.

Members were also informed that the MRP was in lieu of accounting for depreciation or repayment of principle in the same way as the private sector. The Commercial Finance Lead explained that, under the CIPFA Financial Management Code, the Council had to repay debt through revenue budget. He stated that the use of reserves did not impact the capital financing requirement but resulted in the Council incurring extra borrowing costs as this externalised debt which had been previously internalised through using reserves and not keeping these cash backed. He explained that quarterly reviews of the capital and revenue budgets modelled the use of reserves and what this meant for the Council's balance sheet, levels of reserves and required borrowing to assess whether the capital financing budget was sufficient.

The Executive Member for Finance and Resources stated that Manchester was an aspirational and growing city with an important pipeline of schemes in the capital

programme. He recognised that the construction market had experienced inflation at levels which had not been seen in decades and stated that the government under Liz Truss had caused a spike in interest rates, rising mortgage costs and impacted the council's capacity for borrowing.

**Decision:**

That the report be noted.

**RGSC/23/70 Update on the Autumn Statement**

The committee considered a report of the Deputy Chief Executive and City Treasurer which highlighted the announcements from the Government's Autumn Statement which have a direct implication for local government funding next year and future years.

Key points and themes within the report included:

- The Chancellor of the Exchequer, Jeremy Hunt MP, delivered the Government's Autumn Statement (mini budget) to the House of Commons on 22 November 2023 and this was structured around reducing debt; cutting tax and rewarding hard work; and backing British business;
- The Autumn Statement and main Spring Budget announcements do not provide exact funding updates for Local Government, but provide important indicators as to the outlook for council funding and allow this information to be used to inform the medium-term financial plan and budget process;
- Further detail on the Local Government position was expected in early December when a policy document will be released by the Department for Levelling Up, Housing and Communities (DLUHC), and in late December when the provisional settlement with LA allocations would be published;
- The economic and fiscal forecasts published by the Office for Budget Responsibility alongside the Autumn Statement;
- There would be no increase in the overall funding envelope over the Spending Review period and no additional funding was announced for local authorities beyond the increases already expected;
- Announcements indirectly affecting residents included a rise in National Living Wage; the unfreezing of Local Housing Allowance (LHA); a rise in benefits; protection of the pensions 'triple-lock'; a decrease in the rate of National Insurance; and changes to national insurance for self-employed people;
- The continuation of business rates retention arrangements for Greater Manchester under the Devolution Trailblazer;
- Medium-term implications; and
- The provisional settlement outcome and revised position will be reported to the committee and the Executive in January to consider the longer-term position.

Some of the key points and queries that arose from the committee's discussion included:

- Whether it had been confirmed that the Household Support Fund (HSF) would not continue in 2024/25;
- If HSF funded free school meals and the Holiday Activity Fund scheme, and how these schemes would be funded if HSF ended;
- Noting that the Council received £12.9m in HSF, and querying whether any representations had been made to government to ask that this be continued;
- Noting the rise in National Living Wage in April 2024, and querying whether this increase would be implemented regardless of any other staff pay deal;
- Noting the importance of communicating any changes in Local Housing Allowance and the relevant Universal Credit aspect of housing support;
- The possibility of there being a period where employees would need to receive a pay uplift to meet the Real Living Wage whilst an agreed pay award was being implemented; and
- Most residents in Manchester would not feel the benefit of tax cuts set out in the Autumn Statement due to the freezing of the income tax threshold and the cost-of-living crisis.

The Executive Member for Finance and Resources stated that the Chancellor's Autumn Statement made no reference to local government and failed to recognise the cumulative effect that budget cuts have had on council finances. He stated that the Council was not anticipating an uplift in funding in the next spending review period, but the government had indicated that a robust and resilient Local Government Finance Settlement would be provided in December. He informed the committee that there had been no decision on the continuation of the Household Support Fund (HSF) and that there would be no additional funding for the Homeless Prevention Grant. He also expressed his belief that a change of government was needed.

In response to queries regarding HSF, the Deputy Chief Executive and City Treasurer stated that figures in a previously published document showed that funding would end. However, a parliamentary question was asked after the Autumn Statement about future provision of HSF, and it was stated that this would continue into the next year but it was still being reviewed by government. It was further explained that c. £6.7m of HSF was used to fund free school meals during school holidays and that most of the Holiday Activity Fund was funded separately with a top-up contribution from the Council to enable this to run during half-term holidays as well as the summer holidays. The remainder of HSF funds were used for support payments to residents who were eligible and to carers.

It was clarified that HSF would run to the end of the current financial year and, whilst the loss of this funding could not be mitigated, officers were looking at how best to use all funding.

The Deputy Chief Executive advised that the committee would receive a report in January 2024 on welfare support funding provided by the Council and how this could be best used. A member requested that this report include information on any

changes to Local Housing Allowance rates, whether this would affect the eligibility criteria for Council Tax Support and if it would increase the workload of the Council's Revenue and Benefits Unit.

In response to queries regarding the National Living Wage, the Deputy Chief Executive and City Treasurer explained that employers were obliged to pay the National Minimum Wage and the Council was committed to paying the Real Living Wage, which would be factored into discussions with providers around funding. She stated that these discussions were separate to any pay-negotiating bodies which looked at broader pay settlements across the public sector.

Members were informed that the process of managing local authority pay and the impacts of this were complex and it was difficult to undertake a differential pay award increase. The Executive Member for Finance and Resources echoed members' points but emphasised the need to be thorough in pay negotiations and to come to a mutually agreeable resolution.

The Executive Member for Finance and Resources echoed a comment made that Most residents in Manchester would not feel the benefit of tax cuts set out in the Autumn Statement.

#### **Decision:**

That the report be noted.

#### **RGSC/23/71 Housing Revenue Account 2024/25 to 2026/27**

The committee considered a report of the Deputy Chief Executive and City Treasurer, the Strategic Director (Neighbourhoods) and the Strategic Director (Growth and Development) which presented an update on the proposed Housing Revenue Account (HRA) budget for 2024/25 and set out the key assumptions being used in developing the next year's budget and the outlook for the 30-year HRA business plan in light of the budget proposals.

Key points and themes within the report included:

- The proposed rent increase for 2024/25 was 7.7%;
- The current budget position for the HRA as at period 6, with a forecasted overspend of £2.879m;
- The current budget assumptions for 2023/24, including rental income;
- There was no indication in the government's recent Autumn Statement that a rent cap would be applied as it had for 2023/24;
- Management of housing stock and property numbers;
- Other income and Private Finance Initiative (PFI) schemes;
- Communal heating and a proposal to increase the tariffs to residents in line with the price cap as set by Ofgem from 1 January 2024 which would be reviewed in April 2024 when the next price cap announcement was due;

- Debt financing and borrowing costs;
- Capital investment;
- The overall reserves position forecast; and
- Recognising the difficulties faced by tenants in light of the current cost of living crisis, whilst seeking to balance the need to have a balanced HRA business plan.

Some of the key points and queries that arose from the committee's discussions included:

- If consideration had been given to lengthening the business plan to 35 or 40 years, as a result of increased interest rates;
- Whether a rent increase cap would be implemented for 2024/25 as it had been for the current year and, if so, how this would affect the HRA budget;
- Whether planning changes announced in the Autumn Statement would impact retrofitting and the installation of heat pumps;
- Challenges with access to properties and how this affected the project repairs percentage;
- How future risk and changes, such as in fire safety measures, were factored into the business plan;
- The assessment undertaken in the decision not to bring the housing repairs contact in-house;
- Welcoming the reduction in the number of void properties;
- The cap on the number of properties the Council could purchase;
- If Private Finance Initiative (PFI) housing stock was subject to Right-to-Buy, and whether this was excluded from current assumptions of the Council's future housing stock;
- Whether there would be any communication with residents in communal heating schemes about proposed increases to tariffs in line with the price cap as set by Ofgem from 1st January 2024;
- Whether any consideration had been given to moving to individual heating schemes, as opposed to communal schemes, to give residents more control over their usage and bills; and
- If there were any issues with non-payment of communal heating charges.

The Executive Member for Housing and Development introduced the item and explained that the HRA was a ringfenced account for the Council's housing services and the report outlined the long-term 30-year business plan and the immediate budget and rent-setting decisions. He stated that there was an ongoing commitment to housing retrofit, fire safety, tackling damp and mould and capital investment to improve housing stock across the city.

In response to queries, the Head of Finance (Corporate Core and Strategic Development) explained that the business plan was a rolling plan with the 30-year timeframe set as part of the financing, but it did look beyond 30 years in reality.

The Director of Housing Services advised that the government would consult on rent policy from 2025 and changes to the current arrangements were not expected before then. He also acknowledged challenges with gaining access to properties to undertake necessary repairs and this differed between schemes and jobs but that this impacted around 10-15% of repairs. He also advised that there were different powers for repairs relating to health and safety and gas. Members were informed that this was a key feature of resident bulletins and the Executive Member for Housing and Development stated that the Housing Advisory Board had recently discussed this. He noted that the Council's responsibility was to communicate appropriately and in a coherent way to engage with residents on the importance of providing access where necessary.

In response to a query regarding heat pumps, the Executive Member for Housing and Development explained that the recently announced changes to planning policy would provide a greater degree of flexibility regarding where air source heat pumps were sited. He noted that there was a wider issue around opportunities to work with residents to transition homes to more efficient heat sources.

The Head of Finance (Corporate Core and Strategic Development) stated that the business plan included long-term assumptions and that there was a programme of short- and medium-term assumptions. He advised that there was a projected estimate of £23m which covered the business plan for certain amount of time, but work was ongoing in Housing Services to commission an asset management plan to provide condition surveys and would help to create an estimate of cost requirements for the future and whether the projected £23m was sufficient.

The Director of Housing Services explained that the Major Contracts Oversight Board would consider the delivery model assessment for the Council's housing repairs and maintenance contract in December. This assessed the current market and opportunities to recommission, but the Director of Housing Services acknowledged a motion passed previously by the Council to insource contracts.

In response to a question regarding the cap on the number of properties the Council could purchase, the Head of Finance (Corporate Core and Strategic Development) informed members that this was introduced in the 2022/23 financial year and aimed to encourage increased supply within the housing market through new building as opposed to acquiring existing homes. He stated that the cap would be phased in over a number of years and amounted to 50% of the Council's capital receipts for properties sold under Right-to-Buy in 2022/23 and would reduce to 30% over time.

The Executive Member for Housing and Development highlighted that the HRA 30-year business plan was predicated on the ability for housing stock to grow. He expressed his vision to bolster the HRA through increased Council-owned housing stock and cited developments in Collyhurst and Silk Street as examples of this.

The Executive Member for Housing and Development also confirmed that Right-to-Buy did apply to PFI properties.

Regarding questions around communal heating schemes, the Executive Member for Housing and Development reiterated a member's comment on the importance of communicating any tariff changes. He noted that around 2000 tenants were part of a communal heating scheme and stated that any communications would signpost any resident who might struggle financially as a result of the increase to the Community Living Fund. This Fund amounted to £1m this year and it was hoped that this would be repeated in 2024/25 to support those most in need.

The Executive Member for Housing and Development stated that individual heating schemes was being reviewed through capital funding to ensure that the Council's housing stock was energy efficient and had appropriate heating arrangements. He reiterated work to implement ground source heat pumps and other measures across Council housing in the city.

In concluding the item, the Executive Member for Housing and Development welcomed the committee's comments and advised that rent-setting for Council-owned properties would be included in the budget process in February 2024.

**Decision:**

That the report be noted.

**RGSC/23/72 Setting of the Council Tax Base and Business Rates Shares for Budget Setting Purposes**

The committee considered a report of the Deputy Chief Executive and City Treasurer which advised on the methodology of calculating the council tax base and business rates income for budget setting purposes for 2024/25 and detailed the timing of related payments and the decision on business rates pool membership.

Key points and themes within the report included:

- The Council has a statutory duty to agree the 2023/24 estimated council tax surplus or deficit by 15 January 2024; set the 2024/25 council tax base by the 31 January 2024; agree the 2023/24 estimated business rates surplus or deficit by 31 January 2024; and set the 2024/25 business rates base by the 31 January 2024;
- The calculation of the council tax base is the number of dwellings within the Council's boundary presented as 'Band D equivalent';
- Under the Levelling Up and Regeneration Bill, from 1 April 2024 authorities can apply a 100% premium on unoccupied, empty and unfurnished properties after one year. This will be included in the 2024/25 tax base calculation and is estimated to generate an additional £0.8m;
- Retained business rates income remains protected and all Greater Manchester authorities, under the 100% Trailblazer Deal, are guaranteed 97.0% of their baseline funding level; and

- Requesting that the Chair of Resources and Governance Scrutiny Committee approves the exemption of various related Key Decisions from the call-in process.

**Decision:**

That the committee

1. notes that the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources, has delegated powers to:
  - agree the estimated council tax surplus or deficit for 2023/24;
  - set the 2024/25 council tax base for tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2013;
  - agree the estimated business rates surplus or deficit for 2023/24;
  - calculate the 2024/25 business rates income for budget setting purposes in accordance with the Non-Domestic Rating (Rates Retention) Regulations;
  - determine whether the Council should be part of a business rate pooling arrangements with other Greater Manchester local authorities in 2024/25;
  - set the dates of precept payments to the Greater Manchester Combined Authority in 2024/25.
2. notes that the Chair of the Resources and Governance Scrutiny Committee will be requested to exempt various key decisions from the call-in procedure.

**RGSC/23/73 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 query was raised regarding an outstanding recommendation that a more substantial report on Major Contracts be provided at the next update and that this included an appendix with more detailed information on each major contract and whether insourcing would be viable. Officers endeavoured to bring a report on this in March 2024.

**Decision:**

That

1. the report be noted, and

2. the work programme agreed with an update report on major contracts considered by the committee in March 2024.

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 11 January 2024

**Subject:** Overview Report

**Report of:** Governance and Scrutiny Support Unit

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### **Summary**

This report provides the following information:

- Recommendations Monitor
- Key Decisions
- Work Programme

### **Recommendation**

The Committee is invited to discuss and note the information provided and agree the work programme.

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**Wards Affected:** All

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### **Contact Officer:**

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### **Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

None

## **1. Monitoring Previous Recommendations**

This section of the report contains recommendations made by the Committee and responses to them indicating whether the recommendation will be implemented, and if it will be, how this will be done.

**There are currently no outstanding recommendations.**

## 2. Key Decisions

The Council is required to publish details of key decisions that will be taken at least 28 days before the decision is due to be taken. Details of key decisions that are due to be taken are published on a monthly basis in the Register of Key Decisions.

A key decision, as defined in the Council's Constitution is an executive decision, which is likely:

- To result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates, or
- To be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the city.

The Council Constitution defines 'significant' as being expenditure or savings (including the loss of income or capital receipts) in excess of £500k, providing that is not more than 10% of the gross operating expenditure for any budget heading in the in the Council's Revenue Budget Book, and subject to other defined exceptions.

An extract of the most recent Register of Key Decisions, published on **2 January 2024**, containing details of the decisions under the Committee's remit is included below. This is to keep members informed of what decisions are being taken and, where appropriate, include in the work programme of the Committee.

Subject / Decision	Decision Maker	Decision Due Date	Consultation	Background documents	Officer Contact
<b>Corporate Core</b>					
<b>Irish World Heritage Centre - Loan re-financing and restructuring (2023/05/15A)</b>  To agree to the restructuring and refinancing of existing loan	City Treasurer (Deputy Chief Executive)	Not before 13th Sep 2023		Part B report to the Executive	Sarah Narici, Head of Programme Office sarah.narici@manchester.gov.uk

finance arrangements to ensure that there is an affordable and sustainable agreement in place between the Council and the Irish Diaspora Foundation Limited.					
<p><b>TC979 Archival Storage, Non-Archival Storage and Scanning Framework (2023/06/08C)</b></p> <p>To seek approval to appoint a supplier to provide TC979 Framework for Archival Storage, Non-Archival Storage and Scanning</p> <p>The framework is split into 3 Lots as follows:  Lot 1: Archival Storage  Lot 2: Semi Active Records (Non-Archival)  Lot 3: Scanning and Storage of Planning and Building Control Records and other Council Departments</p>	City Treasurer (Deputy Chief Executive)	Not before 8th Jul 2023		Report and recommendation	
<p><b>Enterprise Resource Planning Software (2023/10/06A)</b></p>	City Treasurer (Deputy Chief Executive)	Not before 3rd Nov 2023		Report and Recommendation	Tom Wilkinson, Deputy City Treasurer tom.wilkinson@manchester.gov

To award a contract for new Enterprise Resource Planning software to support finance, HR, procurement and related functions.					.uk
<b>TC473 - Supply of Gas (2023/10/13A)</b>  To implement a new framework to allow for future call-off contracts for the supply of gas to MCC's corporate estate, and for associated organisations (e.g. Manchester schools etc).	City Treasurer (Deputy Chief Executive)	Not before 13th Nov 2023		Report and recommendation	
<b>Council Tax Balance for 2023/24 (2023/11/3B)</b>  Agree the estimated council tax surplus or deficit for 2023/24	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Council Tax Balance report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk
<b>Business Rates Balance for 2023/24 (2023/11/3C)</b>	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Business Rates Balance report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk

<b>Council Tax Base for 2024/25 (2023/11/3D)</b>	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Council Tax Base report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk
<b>Business Rates Base for 2024/25 (2023/11/3E)</b>	City Treasurer (Deputy Chief Executive)	Not before 3rd Dec 2023		Business Rates Base report	Neil Doherty, Group Finance Lead - Revenue neil.doherty1@manchester.gov.uk
<b>Development and Growth</b>					
<b>39 Deansgate Speakers House - Granting of over-riding lease (2022/04/12A)</b>  Approval to the granting of over-riding lease for 250 years with additional land to facilitate redevelopment of the site, as consented under planning application 131314/FO/2021	Strategic Director (Growth and Development)	Not before 11th May 2022		Confidential report and recommendations	Ken Richards, Principal Development Surveyor ken.richards@manchester.gov.uk
<b>Disposal of site of former Chorlton Leisure Centre for residential development (21/05/13A)</b>  Approval to the terms for the leasehold disposal of	Strategic Director (Growth and Development)	Not before 3rd Jul 2023		Report to the Strategic Director of Growth and Development	Mike Robertson, Principal Development Surveyor mike.robertson@manchester.gov.uk

the site of the former Chorlton Leisure Centre for residential development.					
<p><b>Restructure of existing multiple ground leases at Manchester Science Park into a new overriding single head lease (2021/07/16A)</b></p> <p>Restructure of existing multiple ground leases at Manchester Science Park into a new overriding single head lease.</p>	Strategic Director (Growth and Development)	Not before 1st Sep 2023		Report and recommendations	Mike Robertson, Principal Development Surveyor mike.robertson@manchester.gov.uk
<p><b>Disposal of the former Gala Bingo, Rowlandsway, Manchester, M22 5RS (2022/05/19A)</b></p> <p>Approval to the terms for the leasehold disposal of the former Gala Bingo, Rowlandsway, Manchester, M22 5RS.</p>	Strategic Director (Growth and Development)	Not before 19th Jun 2022		Report to the Strategic Director of Growth and Development	Joe Martin, Senior Development Surveyor joe.martin@manchester.gov.uk
<p><b>Land at Kelbrook Road (2022/11/14A)</b></p> <p>Approval to dispose of land at Kelbrook Road for</p>	Strategic Director (Growth and Development)	4 Jan 2023		Report to the Strategic Director – Growth & Development	Thomas Pyatt, Senior Development Surveyor Tel: 0161 234 5469 thomas.pyatt@manchester.gov.uk

development					
<p><b>Disposal of land at the back of Ancoats, Manchester (2023/03/23A)</b></p> <p>To approve the disposal of land bounded by Naval Street, Radium Street, Poland Street and Jersey Street</p>	Strategic Director (Growth and Development)	23 Apr 2023		Briefing Note	Bhavesh Chauhan, Principal Development Surveyor bhavesh.chauhan@manchester.gov.uk
<p><b>The disposal of land at Store Street Manchester (2023/04/25A)</b></p> <p>To approve the disposal of land at Store Street, Manchester.</p>	Strategic Director (Growth and Development)	Not before 25th May 2023		Briefing Note	
<p><b>Factory International Works (2023/06/28A)</b></p> <p>To approve capital funding for Factory International for works to achieve static completion</p>	Executive, City Treasurer (Deputy Chief Executive)	26 Jul 2023		Report to Executive	Rebecca Heron, Strategic Director (Growth and Development) rebecca.heron@manchester.gov.uk
<p><b>Promotion Agreement for disposal of land (2023/06/29A)</b></p> <p>To approve the terms agreed for entering into a</p>	Strategic Director (Growth and Development)	Not before 28th Jul 2023		Delegated approval report to the Strategic Director of Growth and Development	Mike Robertson, Principal Development Surveyor mike.robertson@manchester.gov.uk

promotion agreement to dispose of land for residential development					
<p><b>Disposal of Elizabeth Yarwood Court, Kincardine Road, Manchester, M13 9SY (2023/07/24A)</b></p> <p>Approval of terms for disposal of site to facilitate commercial development</p>	Strategic Director (Growth and Development)	Not before 22nd Aug 2023		Report to the Strategic Director of Growth and Development	Joe Martin, Senior Development Surveyor joe.martin@manchester.gov.uk
<p><b>Disposal of land at Upper Brook Street, Manchester, M13 9XH (2023/07/24B)</b></p> <p>Approval of terms for disposal of land to facilitate mixed use development.</p>	Strategic Director (Growth and Development)	Not before 22nd Aug 2023		Report to the Strategic Director of Growth and Development	Joe Martin, Senior Development Surveyor joe.martin@manchester.gov.uk
<p><b>Disposal of land at Hinchley Road, Charlestown, Manchester, M9 7FG (2023/08/21A)</b></p> <p>Approval to the freehold disposal of land at Hinchley Road for residential development.</p>	Strategic Director (Growth and Development)	Not before 21st Sep 2023		Report and Recommendation	
<p><b>Land at 1-7 Gorton Road, M11 (22/08/2023A)</b></p>	Strategic Director	Not before 22nd Sep		Report & Heads of Terms	

Grant a Deed of Variation to the existing lease of land that will consent to subletting and change of use.	(Growth and Development)	2023			
<b>Disposal of land at Carmoor Road, Manchester, M13 0FB (2023/09/13A)</b>  Approval of terms for disposal of land to facilitate development of Purpose Built Student Accommodation.	Strategic Director (Growth and Development)	Not before 12th Oct 2023		Report to the Strategic Director of Growth and Development	Joe Martin, Senior Development Surveyor joe.martin@manchester.gov.uk
<b>Disposal of Land at Lord North Street (2023/10/12A)</b>  To agree the disposal of land at Lord North Street on a 250-year leasehold interest to facilitate redevelopment for employment use.	Strategic Director (Growth and Development)	Not before 12th Nov 2023		Delegated Decision Report to Head of Development and Director of Strategic Housing & Development	
<b>Disposal of land at the former Central Retail Park site (2023/11/07A)</b>  Approval to the disposal of c5.5 acres of the site.	Executive	17 Jan 2024		Report of the Strategic Director of Growth and Development	David Norbury, Strategic Lead Development City Centre david.norbury@manchester.gov.uk

<p><b>Disposal of land at the junction of Moorcroft Road and Sledmoor Road, Brooklands, Wythenshawe (2023/11/14B)</b></p> <p>Approval of terms for disposal of land to facilitate affordable residential development.</p>	<p>Strategic Director (Growth and Development)</p>	<p>Not before 13th Dec 2023</p>		<p>Report to the Strategic Director of Growth and Development</p>	<p>Jamie Ferguson, Development Surveyor Jamie.ferguson@manchester.gov.uk</p>
<p><b>Acquisition for Leasehold Investment, Holt Town (2023/11/14C)</b></p> <p>Approval to the acquisition of a Leasehold Investment for the purposes of Land Assembly re Holt Town NDF</p>	<p>Strategic Director (Growth and Development)</p>	<p>Not before 12th Dec 2023</p>		<p>Report to the Strategic Director (Growth and Development)</p>	
<p><b>Neighbourhoods</b></p>					
<p><b>TC1101 - RentSense Data Analytical Service (2023/12/08A)</b></p> <p>To appoint a supplier to provide software which will aid the recovery of rent arrears.</p>	<p>Deputy City Treasurer</p>	<p>Not before 13th Dec 2023</p>		<p>Report &amp; Recommendation</p>	<p>Peter Schofield, Head of Integrated Commissioning and Procurement peter.schofield@manchester.gov.uk</p>

### 3. Resources and Governance Scrutiny Committee - Work Programme – December 2023

Thursday 11 January 2024, 10:00am (Report deadline Friday 29 December 2023 **to account for Bank Holiday**)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Budget Settlement 2024/25	To receive a report on the Provisional Local Government Finance Settlement to outline the impact on the Council's budget position for 2024/25.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Sam McArdle	
Changes to Council Tax Charges for Unfurnished and Empty Properties and Second Homes	To receive an update on the government's proposals to exempt categories of dwellings from the council tax premiums, following public consultation.	Cllr Akbar (Finance and Resources)	Carol Culley Lee Owen Charles Metcalfe	
Council Tax Support Scheme Consultation Responses	To receive an update on the public consultation responses to the approved Council Tax Support Scheme recommendations.	Cllr Akbar (Finance and Resources)	Carol Culley Lee Owen Matthew Hassall Charles Metcalfe	
Cost of Living and Anti-Poverty Support	To receive a report on the Council's cost of living and anti-poverty support schemes, with particular reference to Local Housing Allowance and the impact of any changes to this.	Cllr Akbar (Finance and Resources)	Carol Culley Lee Owen Matthew Hassall	
Outcome of Feasibility Study into the use of Enforcement	To receive a report that presents the outcome of a Feasibility Study into the use of Enforcement Agents, as recommended by the Committee.	Cllr Akbar (Finance and Resources)	Carol Culley Lee Owen	<b>See minutes of 7 Sept 2023 meeting.</b>

Agents				
Sales Fees and Charges	To review the Council's commercial activities through trading operations and the setting of fees and charges.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Paul Hindle	
Commercial Activity Update	To receive a report on the performance of the portfolio of Council commercial activities, including companies, Joint Ventures, loans, equity investments and development agreements.	Cllr Akbar (Finance and Resources) Cllr White (Housing and Development)	Carol Culley Tom Wilkinson Sarah Narici David Lynch David Lord	<b>Part A and Part B report</b>
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

Thursday 8 February 2024, 10:00am (Report deadline Monday 29 January 2024)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Elections Act 2022 Update	To receive an update on the position of Tranche 2 changes that have been implemented following the Elections Act 2022, including changes to absent voting, postal vote handling and a timescale for future changes.	Cllr Craig (Leader)	Fiona Ledden Clare Travers	
Our Manchester Strategy	To receive a report on the scope of the refreshed Our Manchester Strategy.	Cllr Craig (Leader)	James Binks	
Revenue Budget Update and Corporate Core Budget Proposals 2024/25	To receive and consider the final 2024/25 budget proposals that will go onto February Budget Executive and Scrutiny and March Council.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson Paul Hindle	
Housing Revenue Account 2024/25 to 2026/27	To receive a report on the Housing Revenue Account (HRA) budget for 2024/25 and a refresh of the 30-year business plan.	Cllr White (Housing and Development)	Carol Culley Tom Wilkinson Dave Ashmore	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

Monday 26 February 2024, 10:00am – **BUDGET** (Report deadline Wednesday 14 February 2024)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
The Council's Budget 2024/25	To receive an update on the Council's financial position following scrutiny of the draft budget proposals and Directorate budget plans by all Scrutiny Committees.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson	

**Thursday 7 March 2024, 10:00am (Report deadline Monday 26 February 2024)**

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Manchester Heat Network Business Plan Update	To receive a performance update and the 2023/24 business plan for the Manchester Heat Network Special Purpose Vehicle (SPV), which is wholly owned by the Council. This report will also outline the SPV's approach to securing new customers to the network and the decarbonisation of the asset.	Cllr Akbar (Finance and Resources) Cllr Rawlins (Environment and Transport)	Carol Culley Tom Wilkinson Sarah Narici	<b>Deferred from January 2024 with Chair's approval.</b>
Manchester City Council Connections with the Greater Manchester Combined Authority (GMCA)	To update the committee on Manchester's connections with GMCA in terms of partnerships, governance, and financial arrangements.	Cllr Craig (Leader) Cllr Akbar (Finance and Resources)	Carol Culley James Binks Tom Wilkinson	
Manchester City Council Connections with the Greater Manchester Integrated Care System and the Manchester Locality	To update the committee on Manchester's links with the Greater Manchester Integrated Care System, including governance and financial arrangements.	Cllr Akbar (Finance and Resources) Cllr T Robinson (Healthy Manchester and Adult Social Care)	Carol Culley James Binks Tom Wilkinson	
Major Contracts Update	To receive an in-depth update on the Council's key contracts, its approach to procurement of these contracts and assessments of how to source	Cllr Akbar (Finance and Resources)	Peter Schofield Mark Leaver	

	contracts due for renewal and/or extension. The committee also previously requested that this include information on each major contract and whether insourcing would be viable.			
Progress on Council Motions over last 12 months	To receive an update on the progress made in respect of motions that have been passed before Manchester City Council since the last update in March 2023.	Councillor Craig (Leader) Councillor Rahman (Statutory Deputy Leader)	Fiona Ledden	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

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**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee - 11 January 2024

**Subject:** Commercial Activity, Investments and Governance (Part A)

**Report of:** Deputy Chief Executive & City Treasurer

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**Summary**

The Council is involved in a wide range of commercial activities, including, but not limited to, provision of loans to third parties, Joint Ventures, investments into a range of initiatives and property transactions. This report provides an overview the governance and assurance activity which take place before, during and post completion of commercial transactions.

This report is accompanied by Part B report, which goes into more detail about the Council's commercial ventures.

**Recommendations**

The Committee is recommended to note the content of the report and comment and / or question the information presented to the Committee, as appropriate.

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**Wards Affected:** All

<p><b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>	<p>This report does not present information or propose decisions that have direct implications for the delivery of the Council's zero-carbon targets.</p>
<p><b>Equality, Diversity and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments</p>	<p>Consideration of equality, diversity and inclusion issues for Manchester residents, communities and businesses have been taken into account in the development and delivery of the specific schemes covered in the accompanying Part B report.</p>

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Through a number of the commercial activities and / or companies that the Council wholly owns or is a party to, jobs have been created and will continue to create employment opportunities across a wide range of sectors.
A highly skilled city: world class and home grown talent sustaining the city's economic success	It is anticipated that the commercial activities outlined with the report will act as a catalyst for investment through supporting infrastructure, innovation and people, providing a significant boost to the future economic growth for the local area.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The commercial activities which the Council is a party to, primarily through Joint Venture arrangements deliver positive socio-economic changes for communities.
A liveable and low carbon city: a destination of choice to live, visit, work	A number of the commercial activities and investments act as a catalyst for regeneration.
A connected city: world class infrastructure and connectivity to drive growth	Infrastructure improvements are an integral part of commercial activities the Council are a partner in delivering to ensure that opportunities are accessible to all.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

There are no direct capital consequences arising specifically from this report.

### **Financial Consequences – Capital**

There are no direct capital consequences arising specifically from this report.

### **Contact Officers:**

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E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson  
Position: Deputy City Treasurer  
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E-mail: tom.wilkinson@manchester.gov.uk

Name: Sarah Narici

Position: Head of Commercial Governance, Assurance and Initiatives

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Resources & Governance Scrutiny Committee: Tuesday 7th September 2021 – Spend and financing of external wholly owned organisations.
- Audit Committee: Tuesday 14<sup>th</sup> June 2022 – Register of Significant Partnerships
- Resources & Governance Scrutiny Committee: Thursday 25<sup>th</sup> May 2023 - Commercial Activity, Investments and Governance
- Audit Committee: Tuesday 13<sup>th</sup> June 2023 – Register of Significant Partnerships

## 1. Introduction

- 1.1 This report provides an overview of commercial activity which Manchester City Council is a party to. The report details the range of commercial endeavours covering a broad spectrum of activities such as wholly owned companies and Joint Ventures, development agreements, loan arrangements and equity investments into various ventures.
- 1.2 The sections below cover a number of aspects related to commercial activities including:
- Governance, assurance and oversight structures
  - Summary of key Joint Venture arrangements
  - Activities to close companies that are no longer required
  - An overview of the Council's commercial loan, equity and shareholding portfolio
  - A summary of the work being undertaken on the commercial and development estate
  - Regulation of commercial activity
  - Reflections on the review of Public Interest and Best Value reports into other Local Authority commercial activities

## 2. Background

- 2.1 For a number of years, Manchester City Council has been a party to a range of commercial activities through the ownership and investment into a number of different companies, Joint Ventures and charities. Each of these entities undertake different types of activities that provide economic and social benefits to the City and support the Council's policy aims. These arrangements vary in scale and complexity, as well as level of turnover. The Council has provided loan and equity funding, as well as entering into a number of commercial arrangements linked to its land holdings. Some of these have direct connections to companies, others are bespoke, standalone arrangements.
- 2.2 To ensure that there is robust oversight of commercial and company activity and performance, in 2018 the Council established a Commercial Governance service. The objectives were to ensure corporate co-ordination and oversight of commercial activities. The service also incorporates the company secretarial function of Manchester Professional Services Limited (MPSL) to ensure robust shareholder governance in place for commercial ventures. It is to be noted that MPSL is a wholly owned council company established specifically for this purpose, which supports 36 different entities.
- 2.3 The Commercial Governance service provides a corporate co-ordination and oversight function for companies, joint ventures and charities which the Council is involved in. This is to ensure that there is independent and assured oversight of activity, information is held in one centralised place, bringing together information from both legal and finance, as well as standardising processes and embedding good practice. An example of this to refine and

standardised processes to review companies and create a 'house style' financial model for current and potential future investments.

- 2.4 Furthermore, Commercial Governance proactively reviews the Best Value and Public Interest reports into Local Authority commercial ventures, as well as regular engagement with external consultancies who have been charged with undertaking assessments / supporting Councils with their commercial portfolios, to review any lessons learnt from these experiences and any further areas of improvement which Manchester can apply. It should be noted that there have been no specific weaknesses found in the way in which the Council operates or structures its commercial activities but there is no room for complacency and this has provided an opportunity to further strengthen practices.
- 2.5 There are a number of ways in which the Council applies commercial governance and assurance, with the sections below providing an overview of the key tools which are used to provide appropriate assurance.

### **Commercial Board**

- 2.6 The Council's Commercial Board, chaired by the Deputy Chief Executive and City Treasurer, was established in late 2018 with an initial focus on major projects and significant investments to ensure that there was alignment with corporate priorities, value for money delivered and benefits realisation achieved. Over time, the remit of the Commercial Board has expanded to cover matters such as procurement, including waivers and direct awards, income generating contracts fees and charges and spend on agency staff. Furthermore, the implementation of the Subsidy Control Act, also sits under the remit of the Commercial Board, with the working group providing an update report at each meeting. It is to be noted that the Commercial Board doesn't have any formal decision-making powers and acts in a capacity of oversight / monitoring, providing a key a check and challenge function prior to commercial proposals being progressed for decision making through agreed constitutional governance routes.

### **Directorship Training**

- 2.7 The Council has co-produced a company Director training programme with CIPFA which all Members and Officers fulfilling a Directorship role are required to attend. At present, the Council has 62 seats on a wide range of company Boards. Three successful training cohorts have already been completed, with 24 Members and Officers attending the sessions. The Directorship training takes place once a year, post May Elections, to ensure that any Members who may have had a change in portfolio or assigned other duties attend receive the training at the start of their tenure. It is to be noted that a lack of sufficient training for those undertaking a company Director role has been highlighted as a key issue in a number of Best Value and Public Interest reports into failings in the operation of Local Authority commercial ventures.

### **Shareholder Panel**

- 2.8 The Council's Shareholder Panel meets on a monthly basis to review the performance of various entities, provides assurance on compliance with Shareholder Agreements, has oversight of company reviews and looks to resolve any emerging issues in relation the operation of any of the companies, Joint Ventures or charities which the Council is involved with. The Shareholder Panel is chaired by the Deputy City Treasurer and involves representative from Commercial Governance, Financial Management and Legal Services. There is a clearly defined action plan which the Shareholder Panel is delivering against, which progress reported to the Commercial Board on a bi-annual basis. Focus of late has been around regulation of some company governance matters and closures of entities that are no longer required by the Council.

### **Entity Specific Monitoring Groups**

- 2.9 Sitting alongside the Shareholder Panel are a handful of entity specific monitoring groups which have been or are in the process of being established. These groups review in a lot more detail the activities of companies or shareholding we have in place due to scale or complexity of these arrangements. The groups cover:
- Manchester Airport Group – due to the scale and complexity of shareholding arrangements.
  - Manchester Energy Network – primarily focussed on the finance and structure of the SPV given lessons learnt from other councils and their energy ventures.
  - This City – a group is to be established to have oversight of the activities being undertaken by the Council's wholly owned housing delivery vehicle, given the critical stage it's at in terms of looking to bring forward the next phase of development.
- 2.10 The entity monitoring groups involves a range of officers from Commercial Governance, Finance and Legal, as well as other officers who have corporate lead responsibility for the entities in attendance to present to provide an update and respond to questions to provide appropriate Shareholder assurance.

### ***Due Diligence Framework***

- 2.11 The Due Diligence Framework (DDF) was designed to provide enhanced financial and reputational assurance for the Council. The framework and supporting monitoring forms are incorporated into existing approaches and formalise the way the Council conducts due diligence in relation to certain types of arrangements with third parties. The arrangements that the framework currently covers are:
- Loan and Equity Investments – Commercial Governance
  - Contracts – Integrated Commissioning and Procurement (IC&P)

- Development agreements and Land Transactions – Development Team
- 2.12 There is a multi-disciplinary working group that maintains regular oversight of the implementation of the DDF and met in May 2023 to undertake the annual review of the framework and associated forms to ensure that the documents remain fit for purpose.
- 2.13 As part of the annual review, it was identified that there was a need to increase the awareness of the framework across the Council and therefore to achieve this, the DDF and monitoring forms have been presented to the Development Management Team and Gold Contract Managers, outlining the purpose, how to complete the forms and the benefits to the services and the Council. A further presentation to the Commercial Legal team is to take place shortly to embed understanding of which DDF forms client services should have completed before instructing or entering into formal contracts / legal agreements.

### ***Register of Significant Partnerships***

- 2.14 The Register of Significant Partnerships is an annual assurance process undertaken on partnership arrangements that are considered to be of the highest significance, could result in material implications to the financial position / reputation of the Council or to the delivery of corporate and Our Manchester objectives. These arrangements include; Joint Ventures, wholly owned companies, statutory groups, Private Finance Initiatives (PFIs) as well as a variety of other types of collaborative structures. The partnerships have varied approaches to governance which are deemed appropriate to their scale, legal status and delivery objectives.
- 2.15 Through the process, the partnerships are rated based upon the information provided by the officers completing the form. The assessment ratings are: substantial, reasonable, limited and weak. The rating is generated on the assessment on areas such as finance, audit, risk and governance. At present, there are 47 partnerships on the register which is reported to Audit Committee on a bi-annual basis; one report on the assessment of all entities received in June and an update report on those rated as reasonable, limited or weak in November.

## **3. Commercial Activities**

- 3.1 Due to the commercially sensitive and confidential nature of section 3, this is being treated as a Part B item. The areas which the Part B report covers are:
- Companies that are included in Council group accounts outlining their structures and financial arrangements which the Council has in place with these entities
  - An overview of some of the Joint Ventures which the Council is a party to and their current status
  - Details of the companies which the Council either wholly owns or is a party to that are intended to be closed over the next 12 months

- A schedule of the Council's loan, shareholding and equity portfolio
- Details on any guarantees the Council provides to third parties
- An overview of the development estate including asset performance and impacts on the development estate

#### **4. Regulation of Commercial Activity**

4.1 The commercial activities of Councils are regulated in a range of ways through a number of interdependent codes and regulations, including the Treasury Management Code, the CIPFA Prudential Code, the CIPFA Financial Management code and PWLB guidance, all designed to ensure sound financial management of long-term assets and liabilities held by the Council.

4.2 Recent revisions to CIPFA's Prudential Code, the risk management framework local authorities should follow to manage debt and investments, require authorities to include within their Capital and Treasury Management Strategies the approach that they take in relation to non-treasury management investments, including equity and loans to third parties.

4.3 The Code includes two specific categories of non-treasury investments:

- being service investments that are made to support service provision and for which the return on the investment is not the primary reason for it, and
- commercial investments where the yield on the investment is the primary reason.

4.4 The Council does not make commercial investments, as defined by the Code. The activities noted above have been undertaken to support service provision and regeneration activities within the City of Manchester, and whilst there are commercial elements of the investments they are not held solely for financial return and yield.

4.5 The commercial activities detailed above are classed as assets and form part of the Council's annual accounts and are therefore reviewed regularly. All shareholdings and equity investments are valued on an annual basis using the latest financial information available for each company, and for loans an annual assessment is made of any potential losses for bad debts.

#### **5. Public Interest and Best Value Reports**

5.1 Public Interest and Best Value reports into Council commercial ventures, issued between 2020 and 2023, have highlighted a number of material issues with regards to Local Authority oversight and monitoring of such activities. These reports have often drawn attention to Local Authorities' pursuit of an objectives with no effective scrutiny and challenge before or during the implementation of the commercial initiative. The reasons for the failure of Local Authority companies are wide-ranging but seemingly, there are two key themes running throughout:

- Ineffective governance arrangements; and

- Propositions that are fundamentally challenged from the outset.

- 5.2 This has provided some salutary lessons for councils about conducting appropriate due diligence when investing and lending to third parties. Undertaking robust due diligence, with support from an appropriately qualified external advisory team, when required, is absolutely critical.
- 5.3 These reports further underline the importance in the governance safeguards which have been put in place and outlined.

## **6. Risk Management**

- 6.1 Robust risk management is a key tool that needs to be deployed effectively to ensure that any emerging issues are addressed in a timely way to effectively negate any impacts for the Council. As part of the assessment for any commercial activity and investments, a thorough assessment of potential risks is undertaken and outlined as part of the decision-making process. Detailed risk registers are also in place and reported at the relevant Board meetings.
- 6.2 Through the Council's Commercial Board, Shareholder Panel and Due Diligence Framework, these routes provide further risk management and oversight to ensure that the Council's interests are protected.

## **7. Conclusions**

- 7.1 The Council has become a party to a broad range of commercial arrangements that have been facilitated through, for example, equity investments, development agreements and company structures. These arrangements all vary in size, scale and complexity, all of which have some form of potential for material implications for the Council's finances and / or reputation if not managed and monitored correctly. Through the continual improvement of the processes that have already established and further embedding of the importance of assurance and due diligence throughout the lifetime of transactions, it provides senior leadership with the confidence that Manchester won't be in a similar position to those councils where commercial activities have failed and resulted in government intervention.

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