

## **Resources and Governance Scrutiny Committee**

### **Minutes of the meeting held on Tuesday, 12 January 2021**

**This Scrutiny meeting was conducted via Zoom, in accordance with the provisions of the The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.**

#### **Present:**

Councillor Russell (Chair) – in the Chair

Councillors Andrews, Clay, Davies, Lanchbury, B Priest, Rowles, A Simcock, Stanton, Wheeler and Wright

#### **Also present:**

Councillor Leese, Leader

Councillor N Murphy, Deputy Leader

Councillor Richards, Executive Member for Housing and Regeneration

Councillor H Priest, Chair of Economy Scrutiny (items RGSC/21/03 and RGSC/21/04 only)

**Apologies:** Councillor Ahmed Ali

#### **RGSC/21/1 Minutes**

##### **Decision**

The Committee approve the minutes of the meeting held on 1 December 2020.

#### **RGSC/21/2 Provisional local government finance settlement 2021/22**

The Committee considered a report of the Deputy Chief Executive and City Treasurer, which provided details of the main announcements from the provisional local government finance settlement 2021/22 announced 17 December 2020, with a focus on the impact on Manchester.

Key points and themes in the report included:-

- The provisional local government finance settlement 2021/22 was slightly better than expected and confirmed that the c£50m savings options was sufficient to deliver a balanced budget next year;
- At the national level the settlement proposals confirm an increase in Core Spending Power (CSP) for local authorities of 4.5% (£2.2bn). The stated increase for Manchester was 5%, but this was dependent on the Council increasing Council tax;
- Details of the funding streams included within Core Spending Power;
- An additional one off, un-ringfenced allocation of £22.2m grant funding would be provided to meet additional expenditure pressures as a result of Covid-19;

- Details on Collection Fund allocations, including Local Council Tax Support Grant, Local Tax Income Guarantee Scheme and Business Rates 100% retention pilot;
- Other announcements from the Spending Review and settlement affecting the budget available to Local Government (ie pay award and homelessness prevention grant); and
- Due to the fact this was a one-year settlement and many of the announcements were for one-off funding the position for 2022/23 as still extremely challenging with an anticipated gap remaining of c£40m if the proposed savings were taken forward.

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

- Whilst the settlement was better than expected, it was felt that Government still had an opportunity to provide additional funding to ensure that the Council was not facing a £50m deficit or funding to prevent a 5% increase in Council Tax;
- It was felt that with the lowering of the anticipated savings from the cessation of the Car Park Joint Venture it was no longer appropriate to rate this risk as “green” in the RAG rating.

The Chair advised that she would write to the Chancellor of the Exchequer expressing the Council’s views and dissatisfaction on the Government’s failings to provide appropriate financial support to the Council in light of the response it had made to the COVID19 pandemic.

## **Decisions**

The Committee:-

- (1) Notes the report..
- (2) Agrees that the Chair writes to the Chancellor of the Exchequer expressing the Council’s views and dissatisfaction on the Government’s failings to provide appropriate financial support to the Council in light of the response it had made to the COVID19 pandemic.

## **RGSC/21/3 Corporate Core Budget Proposals 2021/22**

Further to minute (RGSC/20/46), the Committee considered a report of the Deputy Chief Executive and City Treasurer and City Solicitor, which provided a further update on the savings proposals being proposed as part of the 2021/22 budget process which reflected any feedback from the November 2020 meeting.

Key points and themes in the report included:-

- There had been 196 applications from across the Core in relation to the voluntary efficiency scheme, and these were currently being considered as part of each service areas proposed reductions, with decisions expected mid January;
- The reduction to the City Council contribution towards Discretionary
- Housing Payments would be £1m rather than the £1.5m initially proposed;

- The proposed cuts within Revenues and Benefits had been reduced by £340k to protect core capacity, leaving proposed savings of £160k, which would require a reduction of 5.5fte rather than 16.5fte that had originally been proposed;
- The original savings proposal of £4.5m in relation to car parks had been revised down to £4.1m due to higher than anticipated costs;
- As at October 2020 the Directorate was forecasting a net overspend of
- £1.824m, this included COVID-19 related pressures of £5.377m, offset by in year savings and other mitigations of £3.553m; and
- In response to the pandemic and looking to identify additional opportunities for young people to access employment it was proposed that 28 trainees will be recruited as part of the Kickstart programme and paid the Manchester Living Wage which would require additional investment of c£50k. This funding was included within the proposed budget for the Corporate Core.

A key point that arose from the Committees discussions were:-

- Assurance was sought that financial support would be available for people who had accrued arrears in their rent due to the COVID19 pandemic who now might be facing eviction due to the Government's relaxation of the restriction on evictions in the Private Rented Sector

The Leader advised he had asked Officer to prepare a summary of all the direct and indirect measures the Council could take to be able to support people who were vulnerable in the city, including those who were experiencing financial hardship arising from the COVID19 pandemic.

## **Decision**

The Committee agree the savings proposals as described within the report and endorse these to the Executive.

## **RGSC/21/4 Capital Investment Priorities and Pipeline**

The Committee considered a report of the Deputy Chief Executive and City Treasurer, which provided a summary of the Council's proposed capital investment priorities, which would be included in the Capital Strategy report to Executive in February 2021.

Key points and themes in the report included:-

- The Capital Strategy would form part of the suite of budget papers to support the Council's budget for 2021/22;
- The Strategy would detail the existing approvals and governance, alongside the priorities for future investment and the potential projects;
- The level of resources that the Council had to invest in capital continued to be constrained and any investment had to be in line with the requirements of the Prudential Code;
- The outcomes of the recent Public Works Loan Board (PWLB) consultation included reducing the rate by 100 basis points which would increase the

Council's investment capacity but also include more stringent controls that would have to be adhered to;

- An overview of the potential capital projects which supported the Council in achieving its strategic aims; and
- As schemes developed, initial funding allocations would be allocated and finalised and included in the budget once the funding approval was in place, which would continue to be reported via the Capital Update Report.

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

- It was pleasing to see that the Council still had a high level of ambition, given the financial difficulties it faced;
- It was also welcomed that £12m was to be allocated for investment into the city's parks strategy; and
- It was reassuring to note that although there was currently no funding allocated to road safety past 2021/22, plans were being developed for further investment in future years.

## **Decision**

The Committee notes the report.

### **RGSC/21/5 Housing Revenue Account 2021/22 to 2023/24**

The Committee considered a report of the Strategic Director (Growth and Development) and Deputy Chief Executive and City Treasurer, which presented Members with details on the proposed Housing Revenue Account (HRA) budget for 2021/22 and an indication of the 2022/23 and 2023/24 budgets.

Key points and themes in the report included:-

- As at November 2020 the HRA was forecasting that expenditure would be £22.156m lower than budget, which would result in an in year surplus of £3.524m;
- In order to ensure a balanced budget it was proposed that reserves of £19.495m would drawn down;
- Key budget assumptions used in preparing the HRA budget included:-
  - Tenants' rents for all properties will increase by 1.5% in April 2021, which still remained well within the limits of local housing allowance levels;
  - There was also a proposed 1.5% increase in Garage rents in line with dwelling rents;
  - Other income was forecasted to be around £1.092m in 2021/22;
  - The current PFI reserve would continue to remain frozen at £10m as at 31 March 2021 and would be used to part fund the outstanding HRA debt;
  - The existing wholesale gas contract expired soon, and latest prices indicated that the current wholesale gas price would reduce by 10% with effect from April 2021;
  - The depreciation charge in 2021/22 was forecasted to be £18.435m and this would be used to fund capital expenditure;

- It was currently anticipated that the HRA reserves would fall below the £60m required to continue funding the proportion of debt in 2030/31, this would result in an increase in the interest costs charged to the HRA;
- The provision of bad debt would increase to 1.5% for 2021/22, and would then be increased annually by 0.5% until 2023/24 at which point it would peak at 2.5%, it was then planned to reduce by 0.5% per year until it levels out at 1.5% for the remainder of the plan;
- The amount payable for the management of stock currently managed by Northwards would change once the future arrangements had been agreed;
- Details of other expenditure; and
- Inflationary Assumptions.

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

- Had the figure of £1.5m earmarked for the Local Delivery Vehicle (LDV) been benchmarked and if so what had Salford City Council paid for their LDV;
- Was there a way to ensure that the capital investment underspend was invested in a way to ensure projects were delivered more efficiently;
- Did it matter if the future projected HRA would be in deficit and if so what would be the consequences;
- It was suggested the Members would benefit from future training/briefing on the HRA;
- Who was responsible for determining that the Council's HRA Business Plan was sound;
- If the Council was in a financial position to put additional money into the HRA to address the project deficit in future years, would it be permitted to; and
- Clarification was sought as to whether the Business Plan included figures for investment to contribute towards becoming a zero carbon city.

The Director of Housing and Residential Growth advised that the £1.5m for the Local Delivery Vehicle was an estimated figure based the likely professional cost and investigatory work that would need to be undertaken. Awareness of other LDV's around the country had been used as a framing for this cost but it was not benchmarked. He advised that he did not have the details of what it had cost Salford City Council but commented that he could ask but caveated this with the fact that the scale and nature of what Manchester was looking to deliver was different to that of Salford.

The Committee was advised that the Council was looking at bringing into the Council the management and delivery of the Capital Investment programme to ensure quality standards were being met and satisfaction levels of tenants improved.

The Deputy Chief Executive and City Treasure advised that the Council had a statutory requirement to ensure that the HRA Business Plan was deliverable and sustainable over the 30 year period and whilst there was some margin for change, small changes in assumptions taken now could leave to huge changes in the future financial position. She agreed that future training session on the HRA could be arranged for Members.

It was clarified that it was not a requirement for DCLG to approve the HRA Business Plan. The Council's external auditors reviewed the Plan each year and the Council also had to complete a number of government returns that monitored the position against the Business Plan. It was also clarified that as the HRA was ringfenced it would not be possible for the Council to put further funding into it to address the projected deficit.

The Director of Housing and Residential Growth advised that in the projected capital programme for the HRA, there was in the region of £85m proposed to invest in low carbon related schemes in homes, however one of the challenges that existed was the increase in standards to meet zero carbon. Emerging grants for retrofitting were starting to appear and it was anticipated that these would help the overall picture but putting the issue into context, it was a city wide challenge and it was estimated that £4.5b would be required to address the issue of zero carbon across the whole housing stock of the city.

## **Decisions**

The Committee:-

- (1) Notes the proposed HRA budget for 2021/2 and that the Executive will be requested to consider this at its meeting in February.
- (2) Requests that Officers arrange appropriate training on the HRA for Members.
- (3) Agrees that in writing the Chancellor of the Exchequer in relation to the Local Government Financial Settlement, the Chair also addresses the challenges the Council will face with its HRA in future years without additional government funding.

## **RGSC/21/6 The Council's HRA and Housing Investment Reserve and Governance of the potential work to bring Housing ALMO back in house and other Housing PFI schemes**

The Committee considered a report of the Director of Housing and Residential Growth, which outlined the proposed governance arrangements that would be put in place should the Council decide to bring the Housing ALMO stock back under the control of the Council including any proposals for future tenant involvement and also governance arrangements of the other housing PFI schemes. The report also described the framework in which the Council manages its two Tenant Management Organisations.

Key points and themes of the report included:-

- An overview of the proposed Governance arrangement for Northwards Housing included establishing a committee to advise the Executive on relevant matters relating to the former ALMO, with membership of this committee including members from the relevant geographical areas, the relevant Executive Member and Tenants appointed as voting members;
- An overview of the governance arrangements of the Housing Private Finance Initiative schemes, which included:-

- Each project had a regular liaison meeting where officers from Strategic Housing met the contractors to discuss performance matters;
- Each project had a resident and councillor monitoring committee to review contractor performance and provide a genuine “sense check” on the performance data;
- Each project had a board of senior representatives from the Council and the contractor, which met at least twice a year, to deal with strategic issues and any matters referred to it from the liaison meetings.
- An overview of the performance management and monitoring of the Council’s Tenant Management Organisations; and
- In order to strengthen the Council’s scrutiny of its housing management contractors, (including Northwards Housing, the two TMOs and the three PFI-funded contractors) a new post had been created to respond to this increasing area of work.

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

- What options were available to ensure the principles of the Our Manchester Strategy were more effectively embodied in the governance arrangements of the PFI projects;
- What lessons have the Council learnt from previous PFI contracts, how far has the Council applied these lessons and how much has the Council evaluated what was now done differently;
- It was felt that a more detailed report on the final governance arrangements proposed for the ALMO should be considered by this Committee at an appropriate future meeting;
- There was concern in relation to the repairs and maintenance contract and the proposed increase spend due to inflation but no reference to an increase due to significant service delivery improvement and what impact this would have on the HRA budgeting;
- Reference to the potential model for oversight included in its membership the Executive Member with the relevant portfolio but the services currently being provided by the ALMO cut across multiple portfolios, so was there a way to ensure that parts of the current services provided were not absorbed into different parts of Council services;
- The work with Shelter in resident engagement and involvement had been welcomed and it was asked what could be done to ensure this engagement was sustained and meaningful;
- What work had been done to date to deal with the complex tripartite contract arrangements between the TMO’s the ALMO and the Council in relation to the proposal to bring the ALMO back in house;
- It was hoped that lessons from past PFI projects had been learnt in terms of social purpose to current housing partnerships; and
- It was felt that a unified service would be more responsive to tenants and drive efficiencies.

In respect of how options were available to ensure the principles of the Our Manchester Strategy were more effectively embodied in the governance arrangements of the PFI projects, the Head of Housing Services advised if it was

considered helpful, the Council could provide a continuity of Officers at meetings and would welcome any further ideas from residents and councillors as to how they could become more involved.

The Executive Member for Housing and Regeneration added that it was within the Council's power to establish something at a local level that brought together partners, residents and local ward members which would reflect the Our Manchester approach of inclusivity.. A commitment was also given to review the matrix of meetings to ensure each meeting informed the other to deliver on the resident ownership concept enshrined in the Our Manchester strategy.

The Leader commented that the Council had only entered into previous PFI contracts due to the Councils housing stock requiring significant levels of investment to bring them up to decent standard and at the time these were entered into PFI was the only route available, but would not have been the choice the Council would have undertaken if other options had been available.

The Executive Member for Housing and Regeneration commented that the governance structure of bringing the ALMO back into control of the Council was still very much subject to discussions with officers, members and tenants and did not want to pre-empt any conversations that were taking place with Members in the Northwards areas. In terms of tenant involvement, it was felt that the Council was in a good position following the Test of Opinion and the work undertaken over Summer 2020 around tenants' priorities for the service. She also added that in terms of the Exec Member that would sit in the governance structure was part of the ongoing discussions but would be the Member who had the most involvement and influence over the services.

The Director of Housing and Residential Growth advised that the projected increased costs of the Repairs and Maintenance contract was not solely due to inflationary pressures. In developing the contract there had been significant additional quality and social value requirements built into the contract, which were contributory factors to the higher estimates received from tendering contractor. He added that the contract had been written to give the Council strength in the event that some of the service problems that occurred previously were to reoccur and there was greater accountability and intervention now.

The Executive Member for Housing and Regeneration reassured Members that Northwards' staff would be central to the discussions going forward in how tenant involvement and engagement could be maintained and empowered.

The Director of Housing and Regeneration advised that the TMO's were consulted as part of the Campbell Tickle review and conversations that had taken place since. He advised that they were not particularly affected by the proposal to return the ALMO back in to control of the Council as their right to manage had been exercised and would continue to be protected as it was the Council's obligation to support their right to manage.

The Executive Member for Housing and Regeneration referenced the long term commitment the Council's partner had made in its development of the Northern



Gateway, highlighting that this was not purely on a financial basis but in the success of neighbourhoods in which they were working and the wider ambitions of the project and housing delivery.

## **Decisions**

The Committee:-

- (1) Notes the report.
- (2) Agrees that subject to the Executive agreeing that the ALMO is to be brought back into the control of the Council, this Committee receives a further report on the proposed final governance arrangements in due course.

## **RGSC/21/7 Our Manchester Strategy Reset**

The Committee considered the report of Deputy Chief Executive and City Treasurer that provided an update on the draft Our Manchester Strategy – Forward to 2025 reset document. The Our Manchester Strategy – Forward to 2025, would reset Manchester's priorities for the next five years to ensure the Council could still achieve the city's ambition set out in the Our Manchester Strategy 2015 – 2025.

Key points and themes in the report included:-

- Describing the background to the Our Manchester Strategy reset;
- Providing an overview of the Our Manchester Strategy – Forward to 2025;
- Describing the final design and communications; and
- Next Steps.

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

- How did the strategy work in relation to operational decision making within the council;
- It was hoped that reference to the European Union would be updated following the UK's departure on the 1 January 2021;
- How would the Our Manchester approach be applied to the potential return of the ALMO to the control of the Council;
- It would be essential for residents to have their views and opinion taken into account when the Council makes decisions if the strategy to be successful

The Deputy Leader advised that the Our Manchester workshops that Members had been a part of demonstrated how the principles could be applied at an operational level. The Director of Policy, Performance and Reform also added that the Council was ensuring that its key decision processes linked back to the Our Manchester Strategy and work was being undertaken through the transformation programme to streamline the decision making process. Officers were also being trained in the Our Manchester approach, albeit virtual in the current climate.

The Deputy Leader advised that the Strategy was not a Council strategy but a city wide strategy and all partners would have a responsibility in ensuring that the

principle of being an equitable city was adhered to, no more so in relation to the issue of housing.

The Deputy Leader acknowledged the point raised about listening to residents voices and provided an example of the pedestrianisation of Deansgate as to how the Council was doing this at the present moment.

### **Decision**

The Committee endorse the recommendation that the final version of *Our Manchester Strategy – Forward to 2025* be taken for consideration by the Executive in February 2021.

### **RGSC/21/8 Overview Report**

A report of the Governance and Scrutiny Support Unit which contained key decisions within the Committee's remit and responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

A member suggested that as part of the Committee's future work programme it may want to look at the lessons learnt from previous PFI projects and other similar projects in relation to capital projects. The Chair agreed to discuss this with the Member outside of the meeting to develop the scope of this.

An update was asked on the progress with arranging training for Members on race awareness. The Deputy Leader advised that online training for this would be available for Members in the next few weeks

### **Decision**

To note the report and agree the work programme subject to the above.