

Resources and Governance Scrutiny Committee

Minutes of the meeting held on 7 September 2021

Present:

Councillor Russell (Chair) – in the Chair

Councillors Ahmed Ali, Andrews, Clay, Davies, Hitchen, Kirkpatrick, Lanchbury, B Priest, Robinson, Rowles, A Simcock, Wheeler and Wright

Also present:

Councillor Craig, Deputy Leader (Finance)

RGSC/21/35 Minutes

The minutes of the meeting held on 20 July 2021 were submitted for consideration as a correct record.

Councillor Hitchen asked for the record to show that due to ongoing ICT issues, she had not received all of the papers circulated electronically for the last meeting, despite officers' best efforts.

Decision

To approve the minutes of the meeting held on 20 July 2021 as a correct record, noting the comments above.

RGSC/21/36 Capital Support for Regeneration

The Committee considered the report of the Deputy Chief Executive and City Treasurer, which discussed the range of approaches the Council may take to support regeneration across the city. The report included a selection of case studies setting out how such approaches had successfully been used. A summary of recent and expected changes to the local authority capital financing framework was also included.

Key points and themes in the report included:

- An overview of key milestones in driving growth, regeneration and the development of robust public - private partnerships to create opportunities for those who live and work in Manchester, and the Council's role in convening the necessary interventions to deliver long term growth.
- An analysis of the Council's economic base, as determined by a number of official sources.
- An overview of the Council's Capital Strategy 2020/21 priority areas and explanation of its role and purpose; and
- Case studies of successful partnership arrangements with Victoria North and the Manchester College Estate Development and Rationalisation Programme

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

- Manchester's current position in terms of its current economic productivity, in light of impact of the COVID pandemic on the local economy.
- The impact of population growth and the associated financial support that provided by central government
- The impact of the COVID pandemic on investment income, with particular reference to Manchester Airport Group
- The anticipated financial impact of the cessation of the furlough scheme on Council Tax and Business Rates revenue, as well as the impact on residents.
- The capital Strategy's decision making function and how effectively the Council communicates capital spend to residents.

In considering information concerning Manchester's economic position, a member noted that the GVA figures set out in the report were from 2017 and asked whether more recent information about the city's economic position was available. The Deputy Chief Executive and City Treasurer explained that the most recent, publicly circulated GVA figures were used in the report's comparison. More up-to-date figures were available and could be circulated to committee members, however it was important that members note that those figures would not present a fully consolidated economic picture.

Noting the level of investment income that was predominantly generated from Manchester Airport in the 2019/20 financial year, members asked whether more was understood about the level of dividend that the Council could anticipate, in view of the economic impact of significantly reduced international travel. Mindful of the commercial sensitivities associated with financial matters for a publicly listed company, the Deputy Chief Executive and City Treasurer said that prudent assumptions had been made in the budget strategy, where support for key council services and specific projects could be affected. She added that whilst the amount received through the dividend was significantly lower in 2020/21, due to the financial impact of the pandemic, some recovery was anticipated but this would not be to previous levels and the budget strategy is not reliant on the airport dividend.

The Committee discussed the upcoming cessation of the furlough scheme and the anticipated impact on Council Tax and Business Rates income. The Deputy Chief Executive and City Treasurer said that whilst it was difficult to be precise about the expected drop in both income streams, particularly for Business Rates, support was being developed where possible to mitigate the impact on affected residents. The Deputy Leader (Finance) added that information would be circulated to members, setting out the available support to affected residents. She also highlighted the current buoyancy in the local jobs market which could mitigate the impact. The Chair highlighted that the Committee's future Work Programme included a piece of work with the Revenue and Benefits team on Collections and Family Poverty for the Committee to consider in greater depth.

There was a discussion about the decision-making process for new capital projects and how they are assessed against other strategic priorities. The Deputy Chief Executive and City Treasurer explained that projects are assessed against a number of criteria including contributions to social value, the carbon reduction agenda, and funding regime as well as other city priorities. She explained that whilst the report had been drafted with a particular focus on the capital investment perspective of regeneration, it did not reflect the work undertaken by officers in the Growth and Development team to ensure that wider corporate priorities are upheld and coordinated to best meet the needs of the Manchester population and ensure all possible benefits have been leveraged. Discussions then moved to how well capital spend is explained to Manchester's communities. The Committee was informed that a wider piece of work was planned to provide communities with a clearer understanding of the purpose and function of the capital programme and how such expenditure greatly benefits the city.

There was a discussion about the impact of the city's continued growth and increase in population and the support offered to growing cities by central government. The Deputy Chief Executive and City Treasurer said that one of the challenges for a local authority with a high number of properties in lower Council Tax bands and a rapidly growing population is keeping pace with the delivery of services as the amount raised is limited. She added that this point was regularly raised with central government through Spending Review submissions as part of processes. The Deputy Leader (Finance) also spoke about the discrepancies between the Council's projections of growth in the city when compared with central government's projection. She added that lots of work had been undertaken by the Council in respect of population modelling to provide an analysis of the economic benefits alongside calls on services.

A member asked whether there had been any response to the Council's request to be included in the levelling up agenda. The Deputy Leader (Finance) said that the Council had made a positive case to Government within the context of the levelling up fund in terms of where the Council believes it should get investment development opportunities across the city, for the benefit of Manchester residents, however, to date no feedback had been received.

Decision

To note the report.

The Committee considered the report of the Deputy Chief Executive and City Treasurer, which provided a comprehensive overview of the work taking place to identify further income generation opportunities, as well as what could be learnt from other Local Authorities. An update on the Legal and Democratic services income was also provided at the Committee's request.

Key points and themes in the report included:

- The context, scope and limitations of the discretionary fees and charges scheme.
- An overview of the income generation budget across different service areas and directorates;
- The impact of the COVID pandemic on commercial income; and
- Opportunities for further income generation.

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

- The process that is in place to facilitate the development of new opportunities to generate new income streams.
- In the context of changing priorities for the city, how the impact of falling income streams is managed, with a particular focus on the services they support.
- The accuracy of the projected overall income generation budget for 2021/22.
- The role of the city's parks and open spaces in generating income for the city.
- The progress of the implementation of the Civic Quarter Heat Network.

A member asked about the process for the development of new potential income streams. The Committee was informed that budget holders and service Directors across the organisation were encouraged to be as innovative as possible. The development of a robust business case which stood up to scrutiny and assessment against specific priorities was key to success. Members stressed the importance of ensuring that, in the context of a reduced workforce, staff were given the time needed to explore and innovate to a meaningful degree.

Using the example of income that is generated through the provision of off-street parking, and the projected decrease in income over the next 5 years, a member asked how the impact on the services they support is managed. The Deputy City Treasurer said that such matters are assessed in terms of infrastructure policy and longer term financial objectives.

A member noted the figures reported in the overall income generation budget and asked whether the projections for the 2021/22 financial were realistic. The Deputy City Treasurer advised that despite the significant impact of the COVID pandemic, substantial activity had taken place across directorates and service areas resulting in a majority of income budgets being tentatively on track against revised budgets as footfall continues to return.

Members welcomed the contribution of the city's parks and open spaces to the Council's budget and noted that there would be significant capital investment in this area to grow commercial assets in this specific area.

Members also welcomed the vision for longer term income generation through the investment in the Civic Quarter Heat Network. The Committee noted the intention to seek additional customers and effectively grow dividends over the next 2 – 3 years. The Committee also noted that a mapping exercise across the Greater Manchester area was underway to explore further opportunities.

Decision

To note the report.

RGSC/21/38 Council Wholly Owned Companies

The Committee considered the report of the Deputy Chief Executive and City Treasurer, which discussed the spend, financing and governance of its wholly owned companies.

Key points and themes in the report included:

- The context of the establishment of Local Authority Trading Companies (LATCs);
- An overview of the Council's Commercial Governance function;
- Case studies of wholly owned companies with examples provided on spend and financing arrangements; and
- An overview of Risk Management.

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

- The Council's Commercial Governance function and how it compares to other Local Authorities; and
- The scope of the Directors' training programme.

Noting the information on the background and scope of the Council's Commercial Governance function, and in the context of the outcome of recent Public Interest reports into Local Authority commercial activities, a member asked how the Council's arrangements compare with other Authorities. The Head of Programme Management Office: Commercial Governance & Directorate Support described aspects of the function's rigorous practices that facilitate robust oversight and tracking across the portfolio. This, she explained, provided a strong platform for accurately monitoring investment and partnership activity across the city. On the matter of joint ventures, she stressed the importance of early detection of any emerging risks which avoided the escalation of difficulties as a crucial element of the governance process, as well as the use of the right skills and management to ensure that any action is taken in a managed way and in accordance with established legal agreements. She added that the Council had been approached by a number of other organisations to learn from its good

practices, noting the scale of company activity it oversees, and had also been asked to provide information for a Chartered Institute of Public Finance and Accountancy (CIPFA) good practice guide.

The Committee also noted that a list of the Council's interests had recently been considered by the Council's Audit Committee, as part of the Registered of Significant Partnerships process, which outlined the review and assurance process undertaken on an annual basis.

There was a discussion about the Directors' training programme. The Head of Programme Management Office: Commercial Governance & Directorate Support described this a two cohort system for both new and experienced Board members that covered the roles, responsibilities and accountabilities of the role as well as information on good practice. Members also requested that training support should be explored for members undertaking Trustee roles.

Decision

To note the report.

[Councillor B Priest declared a prejudicial interest as Board member of the Manchester Central Convention Centre and took no part in the discussion].

RGSC/21/39 The Capital Programme Assurance Review

The Committee considered the report of the Deputy Chief Executive and City Treasurer, which provided an update on the external review of the Council's capital programme governance framework and the progress made by the Council following the Local Government Association (LGA) Peer review in 2018.

Key points and themes in the report included:

- Information on the external review of the Council's capital programme governance framework and the progress made by the Council following the LGA Peer review in 2018;
- Providing the Executive Summary from the independent review, noting that it identifies that the Council had implemented a number of actions following the LGA Peer review in 2018 and the direction of travel is positive;
- Describing the actions that arose from the report; and
- Conclusions.

No comments / questions were submitted by the Committee. The Chair thanked officers and described the Review as a significant piece of work whose progress would continue to be monitored through the Council's Audit Committee.

Decision

To note the report.

RGSC/21/40 Overview Report

The Committee considered the report by the Governance and Scrutiny Support Unit which provided 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 was asked to amend as appropriate and agree.

No amendments to the Work Programme were proposed.

Decision

To note the overview report and agree the Committee's Work Programme.