

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Thursday, 25 May 2023

Present:

Councillor Simcock (Chair) – in the Chair
Councillors Andrews, Brickell, Connolly, Davies, Kilpatrick, Kirkpatrick and Lanchbury

Also present:

Councillor Akbar, Executive Member for Finance and Resources
Councillor Moran, Deputy Executive Member for Finance and Resources

Apologies: Councillors Evans and Wheeler

RGSC/23/21 Interests

Councillor Julie Connolly declared a prejudicial and pecuniary interest in items 5 and 8 and would leave the meeting for the duration of discussions.

RGSC/23/22 Minutes

Decision:

That the minutes of the previous meeting, held on 7 March 2023, be approved as a correct record.

RGSC/23/23 Commercial Update (Part A)

The committee considered a report of the Deputy Chief Executive and City Treasurer which provided an overview of key aspects of the Council's commercial portfolio as well as outlining the governance and assurance activity which took place before, during and post completion of commercial transactions.

Key points and themes within the report included:

- Providing an introduction and background;
- Commercial governance and assurance, including strategic oversight of companies, Joint Ventures, and charities;
- Directorship training facilitated for members and officers;
- The Due Diligence Framework, which provided financial and reputational assurance to the Council via the analysis of the performance and sustainability of the organisations which the Council were currently working or proposing to contract with;

- The regulation of commercial activity;
- The purpose of Public Interest and Best Value Reports; and
- Risk management.

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

- How confident officers were in the governance of the Council's commercial activities, citing a recent announcement of a government audit into Teesworks in Teeside;
- How many individuals were still to undertake directorship training;
- Whether directorship training was available prior to being appointed for those considering the position;
- If a list of those who had undertaken directorship training was available;
- Whether the Council reported on the diversity of boards which members and officers were appointed to;
- The impact of the Subsidy Control Act;
- Noting that the Due Diligence Framework was applied to 'gold' contracts, and querying the approach to non- 'gold' contracts;
- How the Council was being proactive in managing reputational and financial risk through its investments and holdings;
- Whether the Council made any savings with regard to culture and leisure during the Covid-19 pandemic; and
- Suggesting that a public notice is included on the website to explain why the Council appoints to boards.

The Deputy Chief Executive and City Treasurer explained that the Council had a successful record in development and regeneration activity. She stated that the governance arrangements in place were robust and continuously monitored and that the Council sought to identify and review good practice from others.

The Chair highlighted a recent news article which disclosed that a review into allegations of "corruption, wrongdoing and illegality" at the Teesworks redevelopment scheme in Teeside had been ordered by the Secretary of State for Levelling Up, Housing and Communities. In response to a query regarding officers' confidence in the governance of the Council's commercial activities, members were advised that there were robust governance arrangements in place around transactions, partnerships and ventures. The Head of Commercial Governance explained that the Due Diligence Framework was used to monitor schemes with regular updates on progress of entities and their stability. She also stated that the Commercial Board received regular updates on major property transactions and regeneration projects and were sighted on the activity and performance of these.

The Head of Commercial Governance advised members that there were less than 10 individuals still to undertake directorship training and that a regular overview of memberships was maintained to ensure any new appointees were fully trained. She

stated that the directorship training programme had been well received with a lot of positive feedback.

In response to a query around the diversity of boards, the Head of Commercial Governance stated that this would be a focus for the team in the year ahead. She stated that officers had an understanding of diversity across boards, but work was needed to strengthen knowledge and understanding.

Members were also advised that directorship training could be undertaken by those considering a Board position prior to being appointed.

The Head of Commercial Governance explained that some members and officers held directorships on multiple Boards, and this was registered through the declaration of interests process and company board registrations, which were public record on the Companies House website. This information would be circulated following the meeting.

In response to queries, the committee was informed that the Subsidy Control Act was introduced at the beginning of 2023 and the Council had an active working group which was examining the implications of the Act. It was also stated that the Council was required to complete a database to publicly outline what subsidies the Council had given to third parties.

The Head of Commercial Governance also stated that 'gold' contracts were those of significant value to the Council and were used to test the fitness of the Due Diligence Framework. She stated that the Framework was now being applied to 'silver' contracts and further detail on the type of contracts this covered would be provided following the meeting. The Deputy Chief Executive and City Treasurer also stated that a report on the Council's Major Contracts Oversight Board would be provided to a future meeting of the committee.

Members were advised that the Council reviewed the Public Interest Reports and Best Value Reports of other local authorities to assess whether Manchester's approach was appropriate.

In response to a member's query regarding lower spend on culture and leisure during the pandemic, the Deputy Chief Executive and City Treasurer explained that the government reimbursed local authorities for any additional costs incurred as a result of the pandemic and the Council had utilised the entirety of this funding. She explained that this did not, however, cover the loss of commercial income such as parking and leisure services revenue. She stated that the Council's reserves had been built up for a number of reasons, such as the Covid Outbreak Management Fund (COMF) and additional grants and relief schemes for business rates.

In response to a suggestion made by a member, the Head of Commercial Governance confirmed that the Council did not currently have any published

information to explain why some members and officers were appointed to Boards but that this could be considered.

Decision:

That the report be noted.

RGSC/23/24 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. The report also included the Committee's work programme, which the Committee was asked to amend as appropriate and agree.

The Committee noted that it would be discussing the work programme for the forthcoming municipal year in further detail in a private session following the meeting, and that an updated work programme reflecting this discussion would be circulated as normal in the papers for the next meeting.

Decision:

That the report be noted.

RGSC/23/25 Exclusion of Press and Public

Decision:

That the press and public be excluded during consideration of the following item which involved consideration of exempt information relating to the financial or business affairs of particular persons and public interest in maintaining the exemption outweighed the public interest in disclosing the information.

RGSC/23/26 Commercial Update (Part B)

The committee received and considered a confidential report of the Deputy Chief Executive and City Treasurer which provided further detail of the structure, financing and terms of the Council's commercial activity, supplementary to item 5.

Decision:

That the report be noted.