

## **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.