

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Thursday, 7 March 2024

Present:

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

Also present:

Councillor Craig, Leader of the Council
Councillor Akbar, Executive Member for Finance and Resources
Councillor Rawlins, Executive Member for Environment and Transport

Apologies: Councillor Wheeler

RGSC/24/27 Chair's Announcements

In opening the meeting, the Chair explained that this would be Councillor Lanchbury's and Councillor Rowles' last Resources and Governance Scrutiny Committee meeting before the end of their terms of office and he wished them luck for the future. He also stated that it would be Councillor Andrews' last meeting before being nominated as Lord Mayor of Manchester for 2024/25.

The Chair also stated that it was the Deputy Chief Executive and City Treasurer, Carol Culley's last meeting before she left the authority for a new role. The Leader of the Council placed on record her thanks to Carol, whom she had worked closely with, and stated that Carol had done her absolute best for the people of Manchester and would be remembered for what she had achieved in financially difficult times.

The Executive Member for Finance and Resources echoed the Leader's comments and stated that Manchester City Council was in the financial position it was because of Carol's leadership. He acknowledged the difficult role of the Section 151 Officer and commended Carol for her ability to combine this with being the Deputy Chief Executive.

The Chair also invited former councillor, Bernard Priest, to the meeting and he recognised the challenges facing local councillors and the need for a City Treasurer to challenge and guide council leaders. He expressed his gratitude for his time working with Carol.

Members of the committee also placed on record their thanks to Carol and commended her work on climate change; engagement with partners; and her understanding of financial pressures and commercialisation. One member expressed their thanks for Carol's time and effort on behalf of the Liberal Democrat Group and stated that Carol had created a culture that he hoped would continue after her departure.

RGSC/24/28 Interests

Councillors Davies and Stogia declared personal interests in items 8 and 11 – Manchester Energy Network 2024/25 Business Plan.

RGSC/24/29 Minutes

In moving the minutes, the Chair informed the committee that following the item on the Elections Act 2022 Update on 8 February 2024, he had been contacted by a council employee who informed him that they had been unable to use their Council-issued employee badge as identification to vote in a polling station at the May 2023 election. The Chair stated that this underlined the ludicrous nature of the government's voter ID legislation.

It was also noted that further information on the sources used for figures in the 'A new Our Manchester Strategy 2025-2035' report had been provided to committee member following the meeting and the Chair requested that this be circulated to all members.

The Chair also commented that, during the Chancellor's budget on 6 March 2024 he had thanked many MPs for bringing issues to his attention but failed to mention Manchester City Council for lobbying for an extension of the Household Support Fund, which would be continued for a further 6 months.

Decision:

That

1. the minutes of the meeting held on Thursday 8 February 2024 be approved.
2. the minutes of the meeting held on Monday 26 February 2024 be approved.

RGSC/24/30 Major Contracts Update

The committee considered a report of the Strategic Lead (Commissioning) that provided an update on the Council's key contracts, its approach to procurement of these contracts and assessments of how to source contracts due for renewal and/or extension.

Key points and themes within the report included:

- An overview of major service contracts, including expiry dates and extension options;
- Delivery model assessments for renewing contracts;
- Work of the Major Contracts Board;
- Planned recommissions for major contracts; and
- Wider work on contract management.

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

- Expressing concern that the Council did not have the infrastructure in place for insourcing of services;
- Requesting a Part B report in the new municipal year to provide further detail on the Council's major contracts;
- The importance of Sure Start centres and that the Council should consider managing these as a whole rather than individual facilities;
- Difficulties in understanding and measuring contractual oversight without qualitative methods, and querying how this could be presented in future;
- How break clauses and break points worked, with specific reference to the housing maintenance and repairs contract;
- What was different as a result of the Council's 'Insourcing First' motion which stipulated that insourcing should be the default option for services;

The Deputy Chief Executive and City Treasurer explained that the report provided an update on the work of the Major Contracts Board, and she thanked officers for their work, particularly in developing the Sourcing Policy.

In response to queries regarding insourcing, the Deputy Chief Executive and City Treasurer stated that there was a robust roadmap behind the delivery model assessments of the infrastructure required for insourcing in specific areas.

The Strategic Lead (Commissioning) stated that work was ongoing with various services, such as Highways and Homelessness, to assess how contract management and oversight could be improved further. He acknowledged that there was a challenge in summarising performance, but he would look at how this could be reported to the committee in future. He explained that a summary dashboard on performance was provided to the Major Contracts Board and that the service worked with Contract Managers to strengthen key performance indicators.

In response to a query regarding break points and break clauses in the housing repairs and maintenance contract, the Head of Integrated Procurement and Commissioning explained that this contract had the option to extend for 3 years and discussions had been undertaken with regards to the future management of the contract. He stated that an extension had been negotiated and there was a potential to break the contract either 12 or 24 months before the contract expired. He explained that these dates had been selected to ensure that the necessary infrastructure was in place to insource the contract at the best possible time for the Council and to ensure service continuity. He stated that lessons had been learned from bringing management of the Northwards housing stock in-house.

The Deputy Chief Executive and City Treasurer stated that a full feasibility study was undertaken for any contract decision as a result of the Council's 'Insourcing First' motion and the work of the Major Contracts Board. The Strategic Lead (Commissioning) reiterated this and stated that there was a greater rigour when assessing the potential for insourcing of contracts as a result of the motion passed by Council and that there had been learning from previous insourced contracts. He explained that smaller contracts were also assessed for insourcing and that officers worked with services such as Manchester Local Care Organisation (MLCO) to identify options for insourcing.

The Executive Member for Finance and Resources acknowledged the work of the Head of Integrated Procurement and Commissioning, the Strategic Lead (Commissioning) and their team and stated that, as the relevant Executive Member, he was confident that the Council assessed contracts in advance of their end date and that options appraisals were undertaken to allow sufficient time to implement the necessary infrastructure and changes to bring suitable services in-house.

Decision:

That the committee

1. notes the report, and
2. requests that a further report be considered under Part B in the new municipal year.

RGSC/24/31 Progress made with Council Motions over the last 12 months

The committee considered a report of the City Solicitor which provided an update on the progress made in respect of motions that had passed before Council over the previous 12 months.

Key points and themes in the report included:

- The motions tracker;
- Progress on motions was monitored by Senior Management Team (SMT);
- Several motions requested a call on the government to take action and have raised serious issues of concern to Manchester residents and the Council; and
- The process once a motion had been passed.

The Deputy City Solicitor introduced the item and explained that the report provided factual assurances that motions passed through Full Council were assigned to the relevant Executive Member and Senior Management Team (SMT) officer and tracked through the City Solicitor's office.

One member commented on the motion 'Standing Up for Wythenshawe' and stated that this was testament to the work of officers and members in lobbying for government support for the area. He stated his hope that the Economy and Regeneration Scrutiny Committee would continue to scrutinise redevelopment in Wythenshawe.

Decision:

That the report be noted.

RGSC/24/32 Our New Finance and HR System

The committee considered a report of the Deputy City Treasurer and the Director of HROD and Transformation which provided an update on the work undertaken to

replace the Council's legacy SAP HR and Finance system since the previous report in June 2023.

Key points and themes within the report included:

- Providing an introduction and background to the legacy SAP system, which was implemented in 2007;
- The vision and approach of the programme;
- The procurement process;
- Details of the preferred bidder were not yet available due to an ongoing standstill period;
- The business case for the programme, including total implementation costs;
- How the programme was governed; and
- Next steps and timeline.

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

- Seeking assurances that the project was treated as high-risk and was included on the Corporate Risk Register;
- Seeking assurances that the project would remain on track for implementation in April 2025; and
- Requesting a further update report in October 2024.

In introducing the item, the Deputy Chief Executive and City Treasurer explained that the replacement of the Council's finance and HR system was a corporate project which had the appropriate governance, capacity and assurances in place.

The Deputy City Treasurer informed the committee that the legacy SAP system was a fundamental system which recorded financial transactions and the Council's balance sheet and held employee records. He explained that the SAP system was heavily bespoke to the Council, not user-friendly and was timely and costly to upgrade. Support to the current system would end in 2027 and, as a result, the Council decided to replace the system early. He stated that the project was progressing appropriately and that it provided an opportunity to drive efficiencies. Members were informed that a preferred bidder had been selected but a standstill period was currently ongoing, with officers hoping to provide a verbal update on the preferred bidder at the Executive meeting later in the month.

The Director of HROD and Transformation stated that a programme and implementation team was in place and significant pre-implementation had taken place. He explained that a review of existing processes and ways of working had been undertaken and that officers in Finance, HR and ICT were collaborating on the project. He informed members that a detailed implementation plan had been developed and would be reviewed with the system provider. He stated that the Council had sought extensive references from organisations using bidders, that it had listened to what had gone well in other authorities who had implemented new HR and finance systems and had received independent expert advice. It was intended for the system to go live in April 2025 with a phased implementation.

In response to members' queries, the Director of HROD and Transformation stated that there were safeguards in place to manage risk and that discussions had taken place with the Council's Audit team to ensure that the project was included on the Audit Plan for 2024/25. He also provided assurances that audits would be undertaken throughout the implementation and once the system was live. Whilst guarantees could not be provided that the project would remain on track for implementation in April 2025, the Director of HROD and Transformation acknowledged the risks involved in a project of such scale and stated that he had been involved in implementing new HR system twice in the past 5 years.

The Executive Member for Finance and Resources acknowledged that it was important to view the project as being high-risk and provided assurances that as portfolio holder for this area, he had oversight of and was involved in the project. He also welcomed continued scrutiny of the implementation.

Decision:

That the committee

1. endorses the report to the Executive, and
2. requests a further update report in October 2024.

RGSC/24/33 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.

Decision:

That the report be noted.

RGSC/24/34 Manchester Energy Network 2024/25 Business Plan

The committee considered a report of the Deputy Chief Executive and City Treasurer which provided an overview of the operation and delivery of the heat and power Manchester Energy Network since trading commenced in July 2021.

Key points and themes within the report included:

- Providing an introduction and background to the Manchester Energy Network, which began trading in July 2021;
- The Network's current financial and trading position;
- How the Network was contributing to the Council's decarbonisation works;
- The policy context for heat networks;
- Governance and accountability;
- Priorities for the Network for the 2024/25 financial year; and
- The business plan for 2024/25, which was presented in a part B report.

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

- Noting that Renewable Gas Guarantees of Origin (RGGOs) were not currently recognised as contributors to the science-based carbon accounting that the Council followed, and querying why this was not flagged during the discovery phase;
- Why business plans had not been in place between 2022/23 and 2023/24;
- The specific work undertaken to decarbonise the energy network;
- What progress had been made to resolve challenges related to decarbonisation of the Town Hall and how the impact of this on network operations was being minimised;
- The importance of securing commercial customers;
- How the Network could be competitively priced and fulfil its financial obligations in the current context of high gas and energy prices;
- If there was any risk of current providers moving elsewhere; and
- The square footage of the Network.

Introducing the item, the Head of Commercial Governance explained that this was the first time that the committee had received a standalone report on the Manchester Energy Network and gave a presentation.

In response to a query regarding RGGOs, the Head of Commercial Governance explained that she clarified the carbon accounting methodologies when she took responsibility for the project in summer 2023 to ensure these were appropriate in achieving the Council's decarbonisation targets by 2038. She stated that the Network had previously sought some advice, but this was not from the Tyndall Centre, which verified the Council's carbon accounting and targets. She explained that this was later undertaken, and the Tyndall Centre had advised that RGGOs could not qualify for the use of carbon accounting. As a result, the Network exited the RGGO arrangement and a decarbonisation working group was established to ensure a clear pathway for decarbonising the Network. She stated that at the time when the Heat Network was put forward for Council approval, an RGGO was seen as the right decision. She explained that the electricity grid had since decarbonised quicker than anticipated and there were hopes at the time of approval that regulations and policy context around RGGOs would change in the time between the approval of the Network and it going live.

The Head of Commercial Governance also explained that there were a number of projections and forecasts prepared for the Special Purpose Vehicle (SPV) Board to develop business plans for 2022/23 and 2023/24 but this did not lead to the establishment of a formal business plan. She explained that there had been a significant reset to ensure that the appropriate policies, processes and procedures had been established and work was ongoing to strengthen the business operations and oversight of the Network.

The Deputy Chief Executive and City Treasurer thanked the Head of Commercial Governance for her work on this and stated that there was a long lead-in time to develop a business plan. She advised that financial reporting had been undertaken in

2022/23 and 2023/24 and that there remained a clean way of providing heat through the Network as the RGGO issue only related to power.

With regards to the work undertaken to decarbonise the energy network, the committee was informed that a decarbonisation working group had been established and work had commenced to develop a Decarbonisation Strategy for the Network, with the initial work on this due to complete in summer. Further information on this would be provided in an update report to the committee later in the year.

The Head of Commercial Governance explained that the original intention for the Town Hall absorption chillers to absorb the off-take from the energy network but technical issues meant that this could not be facilitated. She advised that a number of settings had been adjusted to act as a 'soft solution' until a thermal plate could be installed on 1 April. This was scheduled for this date to minimise disruption to the heating supply to the Town Hall Extension during the winter months. She advised that this 'soft solution' had been successful but acknowledged more work was needed in the upcoming months.

The committee was informed that there had been initial discussions about connecting the Network to a wider base of commercial customers, but the focus needed to be on getting the decarbonisation offer right to further engage with commercial customers. The Head of Commercial Governance recognised the opportunity to connect the Network to other buildings with the current infrastructure and a tool was currently being established to ensure that the optimum connections were made to the Network whilst considering capacity.

The Head of Commercial Governance stated that there had been a complete overhaul of the Network's pricing structure for 2024/25 and there were clear comparators and benchmarks against industry. She confirmed that the Council did not cover the costs of the energy supplied through the Network and there had been active dialogue with customers about the pricing structure. She explained that there was a standardised offtake agreement within contracts and that contracts were reviewed annually. It was also acknowledged that there was a risk of providers moving elsewhere as a result of pricing, but specific arrangements were in place that could be explained under the Part B item.

The committee was informed that the Network spanned 2km from Heron House to the Art Gallery, which allowed for a number of potential external, commercial customers to be connected.

Decision:

That the report be noted.

RGSC/24/35 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 the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

RGSC/24/36 Manchester Energy Network 2024/25 Business Plan

The committee considered a confidential report of the Deputy Chief Executive and City Treasurer which provided detail on the Manchester Energy Network's 2024/25 business plan, supplementary to an earlier report.

The committee discussed a number of areas and issues including customer retention; attracting new business; governance and accountability; risk; and standing charges. It was also requested that an update be provided to the committee in October 2024.

Decision:

That the committee

1. notes the report;
2. does not endorse the report and business plan to the Executive; and
3. requests a further update on the Manchester Energy Network in October 2024.