Resources and Governance Scrutiny Committee

Minutes of the meeting held on Thursday, 18 July 2024

Present:
Councillor Simcock (Chair) – in the Chair
Councillors Connolly, Davies, Evans, Glover, Kilpatrick, Kirkpatrick, Noor and Stogia

Also present:
Councillor Bridges, Deputy Leader
Councillor White, Executive Member for Housing and Development
Councillor Moran, Deputy Executive Member for Finance and Resources

Apologies: Councillor Wheeler

RGSC/24/49 Factory International at Aviva Studios

The committee considered a report of the Deputy Chief Executive and the Strategic Director (Growth and Development) which provided an update on the delivery of Aviva Studios – home of Factory International – including completion of the construction programme and the ongoing management and performance of the venue.

Key points and themes within the report included:

- Providing an introduction and background to the works;
- The social value plan and delivery of this, including results against key performance indicators (KPIs);
- The restructure of loan arrangements between the Council and Allied London to provide for repayment of the Council investment into the development of the Riverside site over a longer period of time alongside further income generation opportunities to support the budget and operation of Aviva Studios;
- An update on the capital budget for the project;
- Progress with construction as the project moved into a 12-month ‘making good defects’ period;
- Key contractual arrangements in place or intended to be in place to support the operation of Aviva Studios; and
- The recent programme of events.

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

- Why the performance and business plan of Aviva Studies would be reported to Economy and Regeneration Scrutiny Committee as opposed to this committee;
- The financial risk to the Council as a result of the outstanding loan to secure the Riverside site;
- The naming rights of Aviva Studios;

- Income generated since the opening;
- Noting issues with transport links to the venue, particularly from the North of the city; and
- How Aviva Studios engaged with schools and children through social value work;

The Director of Capital Programmes introduced the report and stated that the construction of the project was a significant milestone achieved since the last update to the committee and that work was currently ongoing to resolve initial snagging and defects, which he stated was normal in any construction project. He highlighted the social value benefits of the work and stated that fundraising had been positive to date and would continue. Members were advised that, although not finished, officers remained confident that the project would be within the revised budget. He stated that the Council continued to be represented on Factory International's board and that future reporting on the organisation's performance and the business plan would be to Economy and Regeneration Scrutiny Committee.

The Deputy Leader stated that the opening of Aviva Studios had a big impact on Manchester and would attract national investment. He acknowledged that there would be lessons learned from the project but emphasised that the scale of the project should not be underestimated as this was unique to the country and had been recognised internationally.

In response to members' concern regarding future reporting to Economy and Regeneration Scrutiny Committee, as opposed to this committee, the Deputy Leader explained that this was because Aviva Studios fell under the remit of culture, which was reported to Economy and Regeneration Scrutiny Committee, but it was agreed that a report would be provided to this committee on the business plan and contractual arrangements.

The Director of City Centre Growth and Infrastructure explained that the restructured loan arrangements related to land and the intention was to ensure that Factory International operated in an area providing a high-quality public realm and which contributed to the wider offer in St Johns.

The City Treasurer stated that the naming rights to Aviva Studios were worth approximately £14m to the Council, which would be used to repay the borrowing taken to fund the build. The naming rights were also worth £14m to Factory International, which would be used to operate the building and to fulfil the organisation's artistic and charitable endeavours. It was also stated that Factory International had received £9.8m in funding from the Arts Council and that all other revenue was generated from events.

The committee was informed of the work of Factory Academy, which worked with children and young people in hard-to-reach areas. It was also stated that Factory International undertook outreach work with schools and businesses.

Decision:

1. To note the report.

2. To request that the business plan for Aviva Studios be submitted to the committee with a report on the loan restructuring arrangements.
3. To request that a table of all financial figures relating to the project be provided to the committee.

RGSC/24/50 Annual S106 Monitoring Report

The committee considered a report of the Strategic Director (Growth and Development) which provided an update on the Council's Section 106 (s106) activity for 2023/24 and to date.

Key points and themes within the report included:

- s106 agreements were legally binding and entered between a local planning authority and the owners and developers of land on which planning permission was granted;
- 31 s106 agreements were signed in 2023/24, with a further 5 signed to date;
- Further detail on individual s106 agreements broken down by ward;
- £5.7m was received in s106 contributions in 2023/24 with £1.7m spent;
- £2.1m was received in affordable housing contributions in 2023/4, which was transferred into the Housing Affordability Fund (HAF);
- Benchmarks against other Core Cities; and
- An update on the emerging Local Plan.

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

- Whether an increase in planning applications as a result of the change in government, and would increases capacity be required if so;
- If the number of s106 agreements include affordable housing obligations subject to clawback or viability appraisal;
- The gap between s106 income and spend;
- Why s106 would be used for waste management provisions;
- What was meant by 'reserved' and 'trigger not met';
- Noting a significant increase in s106 contributions in 2023/24, and querying the reasons behind this and if it was likely to continue;
- How the new requirement for a 10% increase in biodiversity on a development site would impact Council's ability to secure contributions for other priorities such as affordable housing;
- If there were any time constraints on spending s106 contributions; and
- Whether unspent money could be used to build social housing.

The Executive Member for Housing and Development introduced the report and highlighted that s106 agreements formed part of the planning process to ensure investment in communities, such as affordable housing; tree planting; or sport and leisure provision. He highlighted that 92% of affordable housing was delivered through the imposition of planning conditions, as opposed to the s106 process, and that the Planning and Infrastructure Bill had been tabled by the new government. This would include changes to the s106 process, and the Council was beginning to look into the impact of this.

In response to queries, the Executive Member for Housing and Development welcomed the government's commitment to delivering more affordable housing. He stated that the Council shared this aim and was preparing to deliver more affordable housing with stakeholders and partners. He commented that the Council would welcome more funding to increase the number of planning officers available to process applications. The Strategic Director (Growth and Development) also highlighted the need for additional capacity in statutory organisations such as the Environment Agency and the Council was lobbying the government to take this into consideration.

The Assistant Director of Planning and Building Control explained that where an s106 obligation was marked as pending, this meant that the agreement was awaiting signature and he hoped delays in signing agreements would be addressed by the Planning and Infrastructure Bill.

The Assistant Director of Planning and Building Control also advised members of an online link which allowed them to access all s106 agreements related to their ward and he agreed to share this following the meeting.

In response to a question regarding the gap between income and spend, members were informed that this was because income was retained in the Planning service's budget until the relevant department for the work e.g. Highways identified what the money would be spent on and undertook the work. It was stated that s106 monies for affordable housing were transferred immediately to the Housing Affordability Fund (HAF).

The Assistant Director of Planning and Building Control stated that use of s106 money for waste management provision differed between individual agreements and he agreed to clarify this, as well as what agreements were 'reserved', following the meeting. He suggested that these agreements could refer to significant strategic developments or for off-site provision.

It was clarified that 'trigger not met' referred to where it had been agreed to provide infrastructure, such as public open space, once a certain number of dwellings were occupied but not yet achieved.

In regard to a query on the Biodiversity Net Gain requirement, the Assistant Director of Planning and Building Control stated that this was a statutory requirement and meant that a 10% biodiversity uplift had to be provided before any other s106 requirements, which would have an impact on the delivery of other priorities.

The Assistant Director of Planning and Building Control stated that development tended to slow around the time of a General Election, but the Council continued to progress with many strategic developments, and he expected s106 contributions to remain high. The Executive Member for Housing and Development noted that the amount of s106 money received could be volatile depending on types of development and that the downturn caused by the Covid-19 pandemic had taken some time to recover. He stated that this was increasing but it was difficult to forecast future income and investment.

It was clarified that developers typically requested a 5-year deadline for s106 contributions to be spent and officers were not currently concerned by this or by the prospect of having to refund contributions.

The Executive Member for Housing and Development reiterated that s106 contributions for affordable housing were transferred directly to the Housing Affordability Fund which was used for social housing and Manchester Living Rent, which he stated was capped at the Local Housing Allowance rate. He stated the future reports could include detail on the off-site contributions received from major developers and how this was spent and delivered with partners, such as Ancoats Distillery.

Decision:

1. To note the report.
2. To request that officers share the online link to individual ward S106 Obligations with all councillors.

RGSC/24/51 Review of Development Agreements

The committee considered a report of the Director of Development which provided an update on the processes regarding development agreements, monitoring arrangements and overages pertaining to new development on council land and assets across the city.

Key points and themes within the report included:

- Main issues, including the need for greater standardisation of approach;
- PwC were appointed in 2023 to undertake a peer review of a specific overage arrangements, which was followed by a more overarching Ernst & Young review to provide assurance on the Council’s practices and highlight any areas to further strengthen;
- The new due diligence principles adopted via a Due Diligence Framework; and
- A final report on the review of the Council’s process and protocols for development agreements had been submitted to the Commercial Board earlier in the month.

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

- The due diligence process;
- Heads of Terms and how this increased transparency;
- What the motivation was behind the need to improve efficiency with development agreements; and
- Seeking assurances that reputational risks were taken into account when entering into a Joint Venture.

In response to a query about due diligence, the Head of Commercial Governance explained that a thorough and robust due diligence process was taken on a number of key transactions and the same principles were applied to assess the organisations that the Council entered into contractual arrangements with regarding development agreements. She stated that the Council's Due Diligence Framework was utilised throughout the life of a transaction to ensure that officers were aware of any changes to the entity which the Council has an arrangement with. Members were advised that activity had been commissioned and undertaken by Ernst & Young to inform the Council's continual improvement process around development agreements and some wider governance points arose from this, which were highlighted in the report. Many of Ernst & Young's recommendations were bespoke to Manchester although it was stated that some had been implemented in other local authorities.

The Director of Development explained that Heads of Terms outlined the commercial variables, roles, responsibilities and outputs of development investment activity and the negotiation of these was fluid until finalised, at which point consultation with ward members was appropriate. He stated that the translation of Heads of Terms into a commercial arrangement, governance and required consultation was well exemplified by the Wythenshawe Joint Venture.

The Strategic Director (Growth and Development) highlighted what could be included in Heads of Terms, such as a land values transaction, development management fees and long stop dates.

In response to a query regarding reputational considerations, the Head of Commercial Governance provided assurances that these were taken into account through a pre-transaction due diligence process. She agreed to share further detail on this process with members of the committee.

Decision:

To note the report.

RGSC/24/52 Progress update on the development of the Our Manchester Strategy 2025-2035

The Committee considered the report of the Assistant Chief Executive that provided an update on the development of a new Our Manchester Strategy 2025-2035. A project team and steering group was formed in late 2023 ahead of the phase 1 engagement being launched in early 2024. This report provides a summary of the approach to engagement, the overall phase 1 engagement reach and a summary of the findings that are most relevant to the work of the Committee.

Key points and themes in the report included:

- Providing an introduction and background, describing that the Our Manchester Strategy 2025 was the ten-year strategy for the city and the current Our Manchester Strategy was due to expire in 2025;
- Officers had completed the first phase of development for the next Our Manchester Strategy for 2025 to 2035; and

- Providing an update on the activity undertaken to date, a summary of the outputs from the first phase of the development for the new strategy, and a summary of the next steps.

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

- Why specific wording had been chosen for survey questions, particularly the question 'What makes you proud of Manchester?';
- Noting that flytipping was a concern to respondents, and querying what impact this would have on the new Strategy;
- The cost of the engagement exercise;
- Engagement with businesses; and
- How staff would be involved in the development of the new Strategy.

The Assistant Chief Executive introduced the report and provided a brief overview of the work to date on the development of the new Our Manchester Strategy. He stated that the first phase of the engagement focused on maximising the number of people having a say on the future of the city and ensuring diverse responses. He explained that this had resulted in an extensive engagement exercise with over 10,000 responses through a survey, in-person engagement and consultation with VCSE organisations and partnership boards and groups. He advised that emerging themes indicated a pride across the city for the people, character, diversity and community spirit of Manchester and that public transport, green spaces, cleanliness of the city and safety were areas which respondents suggested could be improved. He also stated that an extensive Equality Impact Assessment process had been undertaken and this enabled engagement to be targeted in difficult-to-reach areas.

In response to the Chair's query regarding the wording of questions, the Assistant Chief Executive stated that the purpose of the Strategy was to be ambitious and visionary and intended to look ahead to the future.

The Assistant Chief Executive recognised that the cleanliness of the city was identified as a key priority for respondents in the survey and he expected this to feature in the priorities of the new Strategy. He stated that the Our Manchester Strategy was the overall strategy for the city, which would inform other strategies and policies, and Place Plans would be developed and were likely to include cleanliness as a key theme alongside other local factors of importance.

In response to a query regarding the cost of the engagement process, members were advised that a small budget had been allocated for this and used mainly on communication materials. The Assistant Chief Executive stated that the main cost was officers' time attending in-person events but emphasised the importance and value of engaging with residents and stakeholders.

The Assistant Chief Executive stated that officers were able to distinguish responses between those who took part in in-person engagement sessions and voluntary sector engagement and those who completed the survey. Responses could also be broken down by categories where respondents had provided their details, such as age, disability, race, religion and area of the city they live in. The Assistant Chief Executive stated that this would help to consider feedback in more detail and weight accordingly.

In response to consultation with businesses, it was acknowledged that 6% of responses came from business owners but this was in contrast to a high number of respondents who lived in and visited the city.

It was confirmed that the initial responses from the first phase of engagement were unweighted.

The Deputy Leader reiterated that the aim of the engagement work was to gain an understanding of what the Council could do better, and this would form part of the implementation of the new Strategy. The Assistant Chief Executive commented that the five Our Manchester Behaviours were a set of workforce behaviours that had been adopted to help deliver the current Strategy. He stated that there was additional workforce support, such as the Our Manchester Experience training venue, which advised on how these behaviours should be applied in employees roles. He expressed further commitment to developing the Our Manchester Behaviours to ensure consistency across services.

Members were also advised that work was underway through the Making Manchester Fairer programme to improve the ways in which the Council engaged with communities, and this would be reported to Communities and Equalities Scrutiny Committee.

Decision:

To note the report.

RGSC/24/53 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 any items for information previously requested by the Committee. Members noted that a private work programming session would take place following the conclusion of the meeting.

The Chair reminded members that a tour of the Town Hall would be taking place before the next meeting. A member requested that a capital budget update on the Our Town Hall project be provided to members in advance of the committee meeting, which the City Treasurer agreed to share.

The Chair also noted a significant number of items listed on the committee's work programme for October and stated that he would be discussing with officers whether any of these reports could be deferred to a later meeting.

Decision: That the report be noted.

RGSC/24/54 Our New Finance and HR System – PART A

The committee considered a report of the 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 last update to the committee in March.

Key points and themes within the report included:

- The background to the project;
- Confirming that the preferred bidder was HCL Tech, with S/4Hana implemented for finance and Success Factors for HR with SAP RISE as the platform;
- The approach of the programme and the stages of Discover, Design, Deliver and Deploy;
- Progression of contract documents;
- The readiness of the programme team; and
- Next steps and timeline.

The City Treasurer introduced the report and stated that preferred bidders had been selected at the time of the last update to the committee in March but this could not be announced at the time due to a standstill period being underway. He advised the committee that S/4Hana was the preferred supplier for the finance system and Success Factors for HR and that, whilst the platform would continue to be SAP, it would be a different system to that currently in use. He highlighted that the current SAP system was a legacy product which had been in use at the Council since 2006.

The City Treasurer also advised that the 'go live' date for the finance system had been delayed to 1 April 2026 as a result of the procurement process and contractual negotiations taking longer than initially anticipated. He explained that the board, implementation partners and external auditors advised that launching at the end of a financial year was more desirable. It was confirmed that HR and payroll modules would be phased in throughout 2025.

Decision:

To note the part A report.

RGSC/24/55 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/24/56 Our New Finance and HR System – PART B

The committee considered a confidential report of the City Treasurer and the Director of HROD and Transformation which provided further detail to item 9.

The committee's discussion centred around how staff would be trained to use the new system; the purpose of the discovery phase; seeking clarification on the technical language and jargon in the report; and if there were any implications on hardware as a result of the project.

The committee wished officers luck with the implementation of the new finance and HR system.

Decision:

To note the part B report.