

## **Resources and Governance Scrutiny Committee**

### **Minutes of the meeting held on Thursday, 10 October 2024**

**Present:**

Councillor Simcock (Chair) – in the Chair  
Councillors Davies, Evans, Glover, Kilpatrick, Kirkpatrick, Noor, Rasul, Stogia and Wheeler

**Also present:**

Councillor Bridges, Deputy Leader  
Councillor Akbar, Executive Member for Finance and Resources  
Councillor White, Executive Member for Housing and Development  
John McGrath, Chief Executive and Artistic Director, Factory International  
Karen Bass, Chief Finance Officer, Factory International  
Sheena Wrigley, Executive Director, Factory International

**Apologies:** Councillor Connolly

#### **RGSC/24/67 Interests**

Councillor Stogia declared a prejudicial interest on items 7 and 11 – Our Town Hall Project Progress Update – and would leave the meeting for the duration of these items.

Councillor Wheeler declared a non-prejudicial interest on items 9 and 13 – Major Contracts Update.

#### **RGSC/24/68 Minutes**

**Decision:** That the minutes of the meeting held on 5 September 2024 be approved as a correct record.

#### **RGSC/24/69 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.

The Chair informed the committee that an item on Bridgewater Hall had been withdrawn from the work programme for November. He also stated that the Budget Scrutiny meeting scheduled for Monday 24 February had been moved to Wednesday 26 February at 4:30pm to enable consideration of any amendments to the budget following the submission deadline.

**Decision:** To note the report.

#### **RGSC/24/70 Revenue Budget Process 2025/26**

The committee considered a report of the City Treasurer which outlined the current position of the Medium-Term Financial Plan (MTFP) and the planned approach to setting the 2025/36 budget.

Key points and themes within the report included:

- Providing an introduction and background to the annual budget-setting process;
- Manchester had delivered over £440m of savings since 2010 to cope with the funding cuts and unfunded budget pressures;
- The MTFP identified that the Council, in keeping with other upper tier local authorities, needed to address a material budget shortfall in 2025/26 and beyond;
- There was an estimated budget gap of £65k over the three years to 2027/28 after the use of smoothing reserves;
- The main assumptions underlying the position forecast, including government grant funding and cost pressures;
- The proposed principles on which the 2025/26 budget would be developed;
- Business rates income for 2024/25 to date was better than expected and 2025/26 income should be uplifted in line with the September CPI, which should result in additional resources; and
- Officers had been challenged with identifying £50m of savings for members' consideration and work on the 2025/26 budget started early, with draft proposals to be presented to Scrutiny Committees in November.

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

- Why interest costs and indications of borrowing were not included in the report; and
- Whether a recent report by the Institute for Government which stated that the money available to councils was 10% lower than in 2010 was true for Manchester; and
- The Council had received a cumulative budget cut of £3bn since 2011.

The Executive Member for Finance and Resources stated that a budget gap of £29m for 2025/26 was forecasted when the 2024/25 budget was set and the process of identifying how to reduce this gap had started soon after that budget was set. He welcomed the change of government earlier this year which would provide multi-year financial settlements for local authorities from 2025. He acknowledged the biggest budgetary challenge to be in-year overspend, which amounted to approximately £17.4m, and work was ongoing to reduce this as any overspend would need to be funded from the General Reserve Fund. He explained that £18m of smoothing reserves would be used in the next 3 years to close the budget gap. He highlighted that this report was the first step in the budget-setting process and that the Council was awaiting the outcome of the government's Autumn Statement, with the committee being updated on this and the budget position in the coming months.

In response to a member's query regarding interest costs, the City Treasurer explained that these were incorporated into Corporate Costs in the Forecast MTFS table (table one) within the report. The Treasury Management Strategy outlined all costs related to interest on borrowing and interest earned on investments and more detail would be provided at a future meeting.

The City Treasurer stated that the Council would have an additional £74m per year in funding if it received the average cut to councils across the country and further detail and analysis of this would be included in the broader budget papers.

**Decision:**

That the report be noted.

**RGSC/24/71 Our Town Hall Project - Progress Update (Part A)**

The committee considered a report of the Deputy Chief Executive which provided a further update on progress with the Our Town Hall project, which involved the refurbishment and partial restoration of the Town Hall and Albert Square, since the last update to the committee in July 2023.

Key points and themes within the report included:

- The refurbishment and partial restoration of the Town Hall and Albert Square was the largest heritage project in the UK to date;
- Progress against the social value key performance indicators (KPIs), with the project forecasted to deliver £15.06m in return-on-investment through social value;
- Progress with works, such as package procurement and construction which was now 75% completed;
- The Management Contractor currently forecasted completion of the works to be in July 2026;
- The findings of an independent third-party review of the management and leadership of the project;
- Providing an update on challenges that had emerged and were ongoing;
- Programme risk and the current financial position, with the project seeking Council approval for a further £76m based on an assessment of potential cost pressures, to be funded from borrowing; and
- Steps identified to improve the programme and cost position.

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

- Welcoming the detail and transparency of the report;
- Interest against borrowing;
- Why challenges of achieving the required level of fire resistance in a heritage setting were being experienced when there was learning from similar external projects;

- How residents and particularly children could be brought along on the restoration journey;
- Highlighting the importance of the project and its complexities;
- The context behind the decision to proceed with the restoration and refurbishment of the Town Hall; and
- Expressing concerns about suppliers' pricing.

The Deputy Chief Executive introduced the report and highlighted that this was the biggest restoration project in the country to date. He stated that the biggest challenges facing the project were the unexpected aspect of discovery works and the impacts of the Covid pandemic, inflation increases and supply chain issues. The Project Director echoed these comments, highlighting the complexity and scale of the project, and stated that the project team working on the restoration of the Palace of Westminster would take learning from the Our Town Hall project.

In response to queries regarding interest costs from borrowing, the City Treasurer explained that the Council's capital programme, which the Our Town Hall project was part of, was large and complex. A sizeable proportion of this programme was funded from borrowing. He stated that all borrowing was managed through the Treasury Management Strategy and a report on interest costs, level of debt and the underlying need to borrow was provided through the budget-setting process, a mid-year update and final outturn report to Audit Committee. He further explained that the Council had a budget of interest received worth net £50m, which had been underspent as the capital programme progressed and underspends consequently moved to reserves to soften any fluctuations in the market. He acknowledged that there would be interest costs as a result of borrowing an additional £76m for the project.

The Project Director stated that extensive discoveries throughout the project had been unexpected and that the project team were cautious about estimating dates for completion as a result. He explained that a further progress update would be provided in March 2025 when the scale of discoveries was anticipated to have reduced.

The Project Director stated that the time risk allowance was exhausted several years ago, and work had been undertaken since to re-sequence works, move labour across the site and to mitigate the impact of discoveries. He stated that the projected two-year delay had been held in the last 12 months, which was an achievement.

In response to a query regarding fire compliance, the Project Director acknowledged a lag in ensuring this and the subsequent impact on the project's ability to complete the design of significant elements. He stated this was due to the length of time taken by the Grenfell Tower Inquiry to publish their report and the industry awaiting the outcome of this. He stated that suppliers were now bringing their off-the-shelf products in line with new compliance requirements, but the Our Town Hall project was having to fix fire-resistant materials to heritage fabrics which was proving a challenge.

The Deputy Leader assured the committee that strong governance arrangements were in place and that requests for capital budget increases were only submitted where it was felt necessary for the programme. He also explained the further

information on the reopening plans would be included in future reports, which the Chair welcomed.

In response to a comment regarding the necessity of the work given that some parts of the building were unsafe to occupy prior to the project, it was stated that a report in 2015 had found that around 70% of assets would have been obsolescent within six years if investment was not made to the building. Further information on this would be provided to members following the meeting.

The Deputy Leader advised that supplier pricing was a focus of the project's governance arrangements. The Chair suggested that further discussion on supplier pricing be held under the Part B item later in the meeting.

**Decision:**

That the committee

1. notes the report;
2. endorses the recommendation to the Executive to recommend that the Council approve a capital budget increase of £76m for the Our Town Hall Project funded by borrowing; and
3. recommends that consideration be given as to how schools and children could be engaged with the project.

**RGSC/24/72 Update on Factory International (Part A)**

The committee considered a report of the Deputy Chief Executive and the Strategic Director (Growth and Development) which provided detail on Aviva Studios' business plan, as requested by the committee.

Key points and themes within the report included:

- Providing an introduction and background to Factory International and Aviva Studios;
- Coverage and feedback from the opening of Aviva Studios;
- KPIs had been developed for the performance of Aviva Studios, Manchester International Festival (MIF) and Factory Academy which featured in various funding agreements between Factory International, the Council, Arts Council England, and Aviva. Good progress was made against all KPIs in FY23/24, and another positive report is expected in 2024/25;
- The governance arrangements for Aviva Studios' performance, including the MCC Factory International: Operations & Governance Oversight Group, the Factory International Strategic Board, Factory International Board of Trustees and regular meetings between MCC officers and Factory International management;
- Recognising some challenges in the opening period, particularly as a result of the slower-than-expected opening of St John's which resulted in limited passing footfall;

- The current financial position and a request from Factory International to reprofile the management agreement between itself and the council, currently running at £1.5m to 2031, to provide some additional financial capacity; and
- Opportunities with external partners and organisations.

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

- Thanking officers for answering some of the committee's initial queries within the report;
- What specific measures were in place to ensure long-term financial sustainability;
- What additional efforts were underway to engage and provide opportunities for Black, Asian and Minority Ethnic (BAME) groups;
- Reiterating that the Council was not responsible for the financial health of Factory International;
- Highlighting some feedback on signage, queues, service time, transport, accessibility, publicising ticket prices and Wi-Fi connectivity;
- Whether Factory International was looking into capital loan smoothing over the mid- to long-term or capital grant fundraising to increase cashflow;
- Seeking assurance that casual vacancies were not being offered as zero-hour contracts;
- Whether employees were informed of their right to join a trade union as part of their onboarding;
- How Factory International engaged with children and schools to raise the profile of the arts and cultural sector as an employment area; and
- What offers were in place for low-income and disadvantaged households.

The Deputy Leader commented that Aviva Studios was a bold and ambitious building that was already benefitting Manchester. He emphasised the global offer of Factory International and its wide audience reach but emphasised the importance of a connection and sense of place within Manchester and its communities. He also highlighted the governance arrangements in place and explained that a reprofile of funding arrangements was proposed to help strengthen the new organisation as it establishes and that this would not include any additional resource.

The Chief Executive and Artistic Director, Factory International expressed gratitude on behalf of Manchester's cultural sector to the Council for its investment in Factory International. He highlighted the international attention garnered for the project and the quality of artists and events that were performing in the city as a result of this. He emphasised excitement around the 2025 events programme and that providing skills and employment for Manchester residents was at the heart of the project and this was being realised through the success of Factory Academy, which had trained over 1000 people to work in the cultural sector.

In response to members' queries, the Chief Executive and Artistic Director, Factory International acknowledged that some factors were affecting income generation, particularly the availability of days for commercial hire. He explained that ongoing building work had impacted the ability to lease the venue to external organisations

but expressed confidence that commercial lines were now coming on stream and that trust was being built within the marketplace. He also highlighted that box office sales were performing above target. The Chief Finance Officer, Factory International echoed these comments and stated that financial sustainability was critical whilst staying true to social and accessibility purposes.

The Chief Executive and Artistic Director, Factory International stated that the long-term reputation for Aviva Studios would be in reaching diverse communities and advised that Factory International already had the most diverse audience demographic of venues in the city and outside of London. He stated that the ambition was for audience diversity to match that of Manchester. With regards to efforts to engage with diverse communities, members were advised of the Neighbourhood Organisers initiative which provided paid opportunities for community members outside of the arts and cultural sector to invite local people to be part of and inform Factory International's work. The Chief Executive and Artistic Director, Factory International also highlighted The Welcome event which was arranged by community members and attended by 11,000 people, most of whom had not previously interacted with MIF. He explained that there was a focus on community advocates and that it was important for people to see themselves represented in the organisation through artists and staff.

In response to a member's feedback following a visit to Aviva Studios, it was suggested that this be addressed by the Deputy Leader and Chief Executive and Artistic Director, Factory International with the member following the meeting.

In response to a question regarding casual vacancies, the Chief Executive and Artistic Director, Factory International explained that front-of-house staff were employed on flexible contracts as set hours could not be guaranteed but that this applied to a minimal number of employees. The Executive Director, Factory International explained that this was due to the fluidity of the events calendar but reiterated that this would not be a long-term practice, and that work had been undertaken in the previous six months to transfer staff to contracts with minimum guaranteed hours to provide greater job and financial security. She highlighted that there were many arts companies in Manchester in which a small number of teams required flexible contracts to be able to move between venues and events. She stated that there was an ambition to develop an ecology between Manchester's cultural venues to support staff working across different institutions and to develop a community of workers, recognising that there was an ebb and flow of the business. It was also stated that active discussions were underway with the trade union Equity to establish a standard agreement for Factory International and to develop a flexible multi-art form contract that could be used nationally. The Chief Executive and Artistic Director, Factory International reiterated that flexible contracts were symptomatic of the industry and recognised the need to promote the arts and cultural sector as a secure employment area. It was also confirmed that all employees were welcome to join a trade union and that Factory International routinely engaged with unions.

In response to a member's further comments, the Executive Director, Factory International emphasised that the vast majority of staff were employed on annualised hours contracts, fixed term contracts or permanent contracts.

The Deputy Leader stated that he and the Director of Culture had been in discussions regarding the workforce of Manchester's cultural sector and how they acquired the skills needed and how organisations can help with career development, and he would take away feedback from the committee's discussion.

The Chief Executive and Artistic Director, Factory International explained that a programme of long-term work with schools was in place alongside wider outreach to allow schools to visit and watch shows. He highlighted a recent BBC Philharmonic event which thousands of schoolchildren attended but recognised that engagement with young people needed to be reinforced in other areas and not just schools. Members were advised that £10 tickets were available for all shows excluding commercially hired. The Chief Executive and Artistic Director, Factory International appreciated that this could still be expensive for some households and stated that free and £3 tickets were distributed in a targeted way through education and neighbourhood provider programmes.

**Decision:**

That the committee endorses the decision to be taken under delegated powers to reprofile the funding allocated by the Council to Factory International in relation to the management agreement to support the initial years of full operation.

**RGSC/24/73 Major Contracts (Part A)**

The committee considered a report of the City Treasurer which provided an update on the Council's key contracts, the initial impact of the Contract Management System and the approach to the procurement of major contracts including assessments of how to source contracts due for renewal and/or extension.

Key points and themes within the report included:

- Providing an introduction and background to major contracts and the framework;
- Performance across all major contracts had generally been assessed across the year by contract managers at either green or amber level;
- The Council's Sourcing Policy, which had been approved by Executive in February 2024 and had a noticeable impact on recommissioning plans;
- Delivery Model Assessment outcomes to date since the previous report;
- Ongoing work on ICT contracts;
- Financial risk remained a key risk to major contracts; and
- Progress and achievements anticipated in the next two quarters.

The Head of Integrated Commissioning and Procurement highlighted developments since the last update to the committee in March, such as the implementation of a new Contract Management System which was improving data and information to help better manage contracts. He stated that the Major Contracts Board had been focusing on the first three objectives listed within its Terms of Reference, which were appended to the report.



The committee noted that a supplementary Part B report would be considered during closed session.

**Decision:**

That the report be noted.

**RGSC/24/74 Exclusion of Press and Public**

**Decision:**

That the press and public be excluded during consideration of the following items 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/24/75 Our Town Hall Project - Progress Update (Part B)**

The committee considered a confidential report of the Deputy Chief Executive which provided additional information of a commercially sensitive nature on the Our Town Hall project to supplement the Part A report.

The report highlighted the changes in resources for the project and provided additional financial information. Some lines of enquiry that emerged during the committee's discussion included claims from contractors; total revenue costs; the governance structure of the project; and the planned completion date.

Members also noted that a further update would be provided in March 2025 and the Chair reiterated the committee's gratitude for the openness and transparency within both the Part A and the Part B reports.

**Decision:**

That the report be noted.

**RGSC/24/76 Update on Factory International (Part B)**

The committee considered a confidential report of the Deputy Chief Executive and Strategic Director which provided further detail on the Factory International business plan.

The report highlighted attendance and participation, training and employment opportunities, strategic objectives, KPI results and provided a financial summary for Factory International. As part of their discussion, the committee queried whether information on visitor attendance, engagement and reach could be shared publicly. They also queried the sufficiency of the reprofiling agreement in ensuring financial and business sustainability.

**Decision:**

That the report be noted.

### **RGSC/24/77 Major Contracts (Part B)**

The committee considered a confidential report of the City Treasurer which provided a summary of the major contracts discussions at the Major Contracts Board and an update on the current focus for each contract.

The committee's discussion focused on the housing repairs and maintenance contract; the importance of considering the workforce when insourcing a service; the levers available to the Council to question the validity of products; and commending the security services contracted to the Town Hall Extension and Central Library.

The committee also requested further information on the Council's electricity supplier and the Highways and Infrastructure Works Construction Framework.

### **Decision:**

That the report be noted.