

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Tuesday, 18 June 2019

Present:

Councillor Russell (Chair) – in the Chair

Councillors Andrews, Clay, Davies, Lanchbury, Moore, O'Neil, B Priest, A Simcock, Stanton and Wheeler

Also present:

Councillor Leese, Leader

Councillor Ollerhead, Executive Member for Finance and Human Resources

Councillor Stogia, Executive Member for Environment, Planning and Transport

Apologies: Councillor Ahmed Ali and Battle

RGSC/19/23 Minutes

Decision

To approve the minutes of the meeting held on the 7 March 2019 as a correct record.

RGSC/19/24 Minutes of the HR Sub Group

Decision

To note the minutes of the meeting held on the 21 February 2019 as a correct record.

RGSC/19/25 Minutes of the Ethical Procurement Sub Group

Decision

To note the minutes of the meeting held on the 21 February 2019 as a correct record.

RGSC/19/26 Strategic Acquisition in the Northern Gateway (Part A)

The Committee considered a report of the Strategic Director (Development), which summarised the context and benefits associated with the provision of a commercial loan facility to Far East Consortium International Limited (FEC) to support strategic land acquisition as part of the Northern Gateway programme.

The main points and themes within the report included:-

- The Council had entered into a Joint Venture (JV) with FEC in April 2017 for the comprehensive redevelopment of the Northern Gateway for housing and ancillary development;
- The Executive had previously approved the Strategic Regeneration Framework for the Northern Gateway, which outlined the opportunity to deliver up to 15,000 new homes over a 15 - 20 year period;

- The JV had been preparing an infrastructure strategy with a specific emphasis on unlocking development sites over an initial five year period;
- There were some areas within the Northern Gateway area, most notably within the Phase 1 development area, where the JV partners would be seeking to make strategic land acquisitions to facilitate comprehensive development activity;
- Given the potential upfront costs associated with acquiring sites for future development, the parties had explored opportunities for a co-investment arrangement;
- The benefits that could be derived from co-investment in land assembly via a fully recoverable commercial loan (set at a rate of interest acceptable to both parties);
- The loan would be expected to be provided on a maximum loan-to-value rate of 50% with the Council having first charge on the land in order to protect its position and with a parent company guarantee provided by FEC; and
- The loan approach had the potential to facilitate delivery of the same, if not a greater quantity of new homes, at considerably lower risk, than if the Council were to acquire the land directly

The report was also to be considered by the Executive at its meeting on 26 June 2019.

Some of the key points that arose from the Committees discussions were: -

- Why was the Council proposing to lend money to FEC in order to purchase the land as opposed to the Council purchasing the land itself and using the it as a form of revenue stream until such a time that it was subject to a planning application/development;
- What steps had been or would be taken to ensure the Council still had some control over the use of the land;
- What additional capital outlay activities would FEC be delivering as a result of this co-investment proposal; and
- Would it not be more pertinent to await for the completion of the Strategic Business Plan before the decision to provide a loan to FEC was taken.

The Leader advised that as part of the partnership arrangement between the Council and FEC, both bodies were required to be co-investors within the Northern Gateway. If the Council were to buy the land, there would still be a requirement for land assembly and land reclamation in order to deliver the proposed development. By entering into a loan agreement with FEC, the Council was ensuring it would be able to deliver the same, if not more, new housing at a considerably lower risk than if it was to purchase the land itself.

The Committee was advised that FEC were already committed to putting a larger investment into the site when compared to the Council's investment. The major control that the Council would have in ensuring the appropriate use of the land was that the Strategic Business Plan, would need Council approval before it could be implemented.

In terms of additional capital outlay activities would FEC be delivering as a result of this co-investment proposal, the Strategic Director (Development) referred to investment that FEC had already made in acquiring land for development across the city centre.

Decision

The Committee:-

- (1) notes the proposed approach to facilitating strategic land acquisitions within the Northern Gateway SRF area; and
- (2) notes the proposals to provide a term loan facility to Far East Consortium as set out at minute RGSC/xx/xx.

RGSC/19/27 Call In: Extension to the Joint Venture Agreement with NCP for the Management and Maintenance of NCP and MCC car parks

The Committee considered a call in of the decision taken by the Chief Executive, relating to the decision to enter into an agreement with NCP to extend the existing Joint Venture (JV) arrangements with the company, which was due to end in June 2019, for an 18 month period (with the ability to further extend the agreement for a further six months on a rolling basis if necessary) for the management and maintenance of those car parks listed in the JV, pending completion of the review of the future strategy for surface and multi-storey car parks.

The Call In had been proposed by Councillor Wheeler and supported by Councillors Douglas, Jeavons, Johns and Lyons. Councillor Wheeler outlined to the Committee the reasons as to why he had called the decision in and the concerns he had, which centred around:-

- a lack of information being received in a timely manner in relation to the revenue raise by the JV and its governance structure;
- the security of the sites given specific issues of criminality reported;
- why the agreement had not been renegotiated sooner given it was a twenty year agreement; and
- as the JV covered sites of particular strategic and local interest for city centre councillors, it was not appropriate to tie these sites up for a further 18-24 months at a time of rapid change for the city without proper analysis.

The Leader responded to the concerns raised by Councillor Wheeler. In doing so he advised that the financial information that had previously been requested had not been provided as this was not available at the time the original request had been made (January 2019). He expressed disappointment that there had been little attempt to contact Executive Members for any information in connection to the decision but also acknowledged that in retrospect, it would have been appropriate for City Centre Ward Councillors to have been made aware of the intended decision in advance of it being taken. He and the Executive Members for Highways, Planning and Transport advised that the decision had not been taken sooner in order to allow for a strategic review of the parking offer for the city centre. The Leader also advised

that if this decision was not made within the next eight days, the existing contract would expire, which was a situation that the Council could not afford to let happen.

An assurance was sought that at the appropriate point in the future when the contract would be subject to re-tender, there would be a focus on increasing the profitability of these sites, to which the Leader agreed. The Leader also said that the City Centre Councillors would be given more information as the process developed and Councillor Wheeler said that he looked forward to a productive working relationship going forward.

After all questions were asked, the Chair invited Councillor Wheeler and the Leader to add anything further to their presentations. No further information was added from either party.

Decision

The Committee agreed not to refer back the original decision taken by the Chief Executive.

RGSC/19/28 Review of the Council's Capital Outturn position 2018/19 and Revised Capital Programme for 2019/20

The Committee considered a report of the City Treasurer (Deputy Chief Executive), which informed Members of the outturn of capital expenditure and financing for 2018/19, the major variances between the 2018/19 outturn and the previous Capital Programme monitoring report submitted in February 2019 and the commitments to be carried over into the five-year Capital Programme 2019/20 to 2023/24.

The Deputy City Treasurer referred to the main points and themes within the report, which included:-

- The final spend position for the Manchester City Council Capital Programme in 2018/19 was £361.6m compared to a revised budget of £400.0m;
- The outturn for the 2018/19 Programme on behalf of Greater Manchester was £91.2m compared to a revised budget of £95.8m;
- There was a capital programme variance of -£43.0m between the budget and the outturn position.
- The variations by service area;
- The funding arrangements for the 2018/19 Capital Programme;
- The proposed capital programme budget re-phasing to reflect the planned delivery of projects in 2019/20 to 2023/24 and the cumulative impact of these adjustments; and
- Risks to future forecasts.

The report was also to be considered by the Executive at its meeting on 26 June 2019.

Some of the key points that arose from the Committees discussions were:-

- Confirmation was sought that that cycleways, including the Manchester to Chorlton cycleway were being scrutinised appropriately;
- Clarification was sought as to whether variances in the Capital Programme were being measured against the original agreed budget or the revised budget position; and
- It was suggested that the variance in spend within the Parks programme should be scrutinised alongside the Parks Strategy by the Communities and Equalities Scrutiny Committee, especially given that Parks now appeared to anticipate that it would not be likely to be able to successfully apply for £8m of grant funding that had previously formed part of the capital strategy, as the application criteria have changed in the intervening period.

The Executive Member for Highways, Planning and Transport assured the Committee that the Council's Neighbourhoods and Environment Scrutiny Committee had previously scrutinised cycleways, including the Manchester to Chorlton cycleway and would continue to do so as part of its work programme for the current municipal year.

The Deputy City Treasurer advised that the variances in the Capital programme were measured against the revised budget position. The Executive Member for Finance and Human Resources advised that for future reports, the variance would be measured against both the original budget position and revised budget position for greater transparency. The City Treasurer reminded the Committee that unlike the revenue budget, the capital budget process was designed to be more fluid in order for greater flexibility and the need for appropriate adjustments.

Decision

The Committee:-

- (1) Notes the report and recommendations asked of the Executive;
- (2) Recommends that all future reports to the Committee containing information on spend against budget of any kind, shows the variance against both the original and revised budget;
- (3) Recommends to Executive that in its future reports, it requests that variance figures are measured against agreed original budgets as well as the revised budget position for greater transparency;
- (4) Recommends to Communities and Equalities Scrutiny Committee that as part of its scrutiny of the Council's Parks Strategy, it also looks at the variance in spend within the Parks programme and the loss of the potential grant income that was anticipated.

RGSC/19/29 Update on Capital Projects

The Committee considered a report, which provided an update on the progress of four capital projects against the agreed costs, specifically The Factory, Manchester College, Central Retail Park and Life Sciences Development.

Officers referred to the main points and themes with the report which included:-

- The original agreed budgets for the four major projects, including how and where the funding would be sourced from;
- Any increases that had been made to the original budgets and the reasons for these increases;
- The current status of each project including spend to date and forecasted spend for 2019/20;
- Details of any legal agreements that were now in place in connection to each project; and
- Details of work packages that had been awarded to date in line with the agreed programmes.

Some of the key points that arose from the Committees discussions were:-

- The Manchester College project had commenced sooner than anticipated and a consequence of this would be the closure of the College's campus in Ardwick, as such an clarification was sought as to what would happen to this site and associated buildings;
- An assurance was sought that control of the budget in relation to the Factory project was now in hand and it was not anticipated that there would be any further increases
- A request was made that any future consultation on Central Retail Park would be wide and inclusive; and
- Clarification was sought as to whether it was anticipated that the Council would be required to provide the £10m grant funding should BEIS not provide grant funding for industrial research and development.

The Strategic Director (Development) advised that he had met with the Director of Education to discuss the future of the College's Ardwick campus in order to ensure appropriate plans were in place and developed in consultation with ward councillors.

The Director of Capital Programmes gave an assurance that the Factory project was keeping within the agreed financial model. There had been delay with the commencement of the project, however there was mitigation plans in place in order to ensure completion within the agreed 132 week construction programme.

The Strategic Director (Development) commented that any plans in connection to Central Retail Park would require endorsement by the Executive before consultation.

The City Treasurer advised that the Council was not anticipating receiving any grant funding from the Government in relation to the Life Sciences Development and as a consequence would likely have to borrow the £10m to ensure the delivery of the project.

Decision

The Committee notes the report.

RGSC/19/30 Update on Highways Maintenance Capital projects

The Committee considered a report of the Director of Operations (Highways), which provided a progress update on capital projects within Highways Maintenance, against the agreed costs.

The Director of Operations (Highways) referred to the main points and themes within the report which included:-

- A £100m, 5 year highways capital investment programme is currently underway, which would primarily be spent on improving the condition of Manchester's roads, footways and drainage, as well as supporting the maintenance of the bridge network;
- The budget for the highway maintenance element of the investment was £80m although there had been some additional grants that have increased the available spend to £80.5m;
- The spend to the end of March 2019 was £28.229m leaving approximately £52.3m available to spend;
- The reasons for the difference between budget and spend in year for years 1 and 2;
- Details of the various maintenance schemes undertaken in years 1 and 2;
- Year 3 (2019/20) programmes had all been agreed and work had commenced. The proposed year 4 and 5 resurfacing programmes had been drafted and would be shared with Members. These proposals would be subject to re-assessment at the end of the year, looking at new condition data, available budgets and liaison with other work programmes, with some schemes potentially added or removed dependent on assessed priorities; and
- The quality of the work had been good with a failure rate for microasphalt as low as 0.17% which was better than the industry standards. For those areas that had failed, contractors had made good any defects at no additional cost to the Council.

Some of the key points that arose from the Committees discussions were:-

- Was the budget spend figures detailed in the report based against the original agreed budget position or a revised budget position;
- Was the Council getting value for money from its highways maintenance investment programme;
- What steps were taken to ensure work undertaken by contractors was of the required standard and what actions could the Council take if a contractors work fell below the required standard;
- As the original £100m investment was an "invest to save" initiative, had any calculations been undertaken to identify the savings the programme was achieving or would achieve; and
- What action was being done to address the problems that had been experienced with the former contractor of the Regent Road improvement works to ensure similar didn't happen elsewhere.

The Director of Operations (Highways) advised that the budget spend figures were based against the revised budget position and noted that as per the Committees

earlier discussion, future reports would contain the agreed original budgets as well as the revised budget position for greater transparency. He also provided an explanation for the slippage of spend in previous years and assurance was given that this was now being brought back in line.

In terms of value for money, it was reported that the Council was now getting significant social value returns from its highways contracts and Officers will be testing value for money through the reprocurement of all frameworks for the final two years of the maintenance programme.

The Director of Operations (Highways) confirmed that the Council did inspect all works that were undertaken and this was done jointly with the contractor. Contractors received 95% of the cost of the works undertaken upon completion and the remaining 5% was only paid at the end of a two year maintenance inspection period, subject to no deterioration in the works that had been carried out. He also reported that his staff were aware of the defect levels provided by different contractors. He was unable to give the Committee an assurance as to precisely how this was fed into the retendering process but asserted that it was. It was noted however that the main incentive for contractors to deliver high quality works, was the ability for them to be able to re-tender for future works, as opposed to the 5% retention payment.

In relation to “invest to save” calculations, it was reported that it would be 1 years 4 and 5 of the programme were the benefits of the investment into highways maintenance would come to fruition and that this would be reported to the Neighbourhood and Environment Scrutiny Committee.

The City Treasurer informed the Committee that the issue with the former contractor for the regent Road improvement works would be being considered at a future meeting of either the Council’s Audit Committee or Neighbourhood and Environment Scrutiny Committee

Decision

The Committee:-

- (1) Notes the report;
- (2) Requests that the Director of Operations provides the Committee with information as to whether the seven contractors have Trade Union recognition; and
- (3) Requests that Committee Members are informed when a report on the former contractor for the regent Road improvement works is taken to either the Audit or Neighbourhood and Environment Scrutiny Committee

RGSC/19/31 Living Wage Accreditation

The Committee considered a report of the City Treasurer (Deputy Chief Executive), which summarised the recent work that has been completed to prepare the Council for potential Living Wage accreditation and set out the implications of accreditation in

relation to workforce and budgets, procurement and commissioning and communications.

The Committee sought clarification on the timescale in applying for accreditation with Living Wage Foundation and receiving accreditation. The Deputy City Treasurer advised that subject to Council support, an application would be submitted after the 10 July 2019 and once submitted an indicative result would be expected within approximately 10 days.

The report was also to be considered by the Executive at its meeting on 26 June 2019.

Decision

The Committee unanimously endorse the proposal for the Council to apply for accreditation as a living wage employer with the Living Wage Foundation and thanks all of those involved for their work on this project.

RGSC/19/32 Re-establishment of the Human Resources Sub Group

The Committee considered a report of the Governance and Scrutiny Support Unit that provided Members with the current terms of reference and work programme of the Human Resources Sub Group. The Committee was invited to re-establish the group and agree the membership, terms of reference and work programme.

Decision

The Committee:-

- (1) agrees the Terms of Reference of the Sub Group;
- (2) notes the work programme for its first meeting on 31 July 2019;
- (3) agrees that the membership of the Sub Group for 2019/20 be Councillors Andrews, Clay, Rowles, Russell and Stanton (subject to any Member who is not a member of the Resources and Governance Scrutiny Committee confirming that they wish to remain a member of the Sub Group); and
- (4) agrees that Councillor Russell is appointed as Chair of the Subgroup.

RGSC/19/33 Re-establishment of the Ethical Procurement and Contract Management Sub Group

The Committee considered a report of the Governance and Scrutiny Support Unit that provided Members with the current terms of reference and work programme of the Ethical Procurement and Contract Management Sub Group. The Committee was invited to re-establish the group and agree the membership, terms of reference and work programme.

Decision

The Committee:-

- (1) agrees the Terms of Reference of the Sub Group;
- (2) notes the Sub Group's work programme for its first meeting on 31 July 2019;
- (3) agrees that the membership of the Sub Group for 2019/20 be Councillors Ahmed Ali, Clay, Lanchbury, Reid, Russell, Shilton-Godwin, Watson and Wheeler (subject to any Member who is not a member of the Resources and Governance Scrutiny Committee confirming that they wish to remain a member of the Sub Group);
- (4) agrees that Councillor Russell is appointed as Chair of the Subgroup; and
- (5) agrees that the other Scrutiny Chairs are no longer formally appointed to the Sub Group but have standing invites for future meetings.

RGSC/19/34 Overview Report

The report of the Governance and Scrutiny Support Unit which contained key decisions within the Committee's remit and responses to previous recommendations was submitted for comment. Members were also invited to agree the Committee's future work programme.

Decision

The Committee notes the report and approves the work programme.

RGSC/19/35 Exclusion of Press and Public

A motion was moved and seconded that the public be excluded during consideration of the next items of business.

Decision

To exclude the public during consideration of the following items which involved consideration of exempt information relating to the financial or business affairs of particular persons and public interest in maintaining the exemption outweighs the public interest in disclosing the information

RGSC/19/36 Strategic Acquisition in the Northern Gateway (Part B)

The Committee considered a report of the Strategic Director (Development), which set out the draft Heads of Terms for a commercial loan between the Council and the Far East Consortium (FEC) to support strategic land acquisitions in the Northern Gateway SRF area as part of the Joint Venture programme.

The Strategic Director (Development) referred to the main points and themes within the report and answered questions from the Committee.

The report was also to be considered by the Executive at its meeting on 26 June 2019.

Decision

The Committee:-

- (1) Notes the following recommendations to the Executive as set out in the report, but in doing so, requests that the Executive first gives due consideration to purchasing the land itself as opposed to entering into a fully recoverable commercial loan arrangement with FEC:-

That the Executive:-

- (1) Notes the proposed contractual and commercial arrangements between the Council and the Far East Consortium (FEC), which are set out in the draft Heads of Terms in respect of a commercial loan to support strategic land acquisitions in the Northern Gateway SRF area as part of the Joint Venture programme;
- (2) Approves the proposed loan to FEC, the details of which are set out in the draft Heads of Terms;
- (3) Authorise the City Solicitor, Deputy Chief Executive and City Treasurer and Strategic Director – Development, in consultation with the Executive Member for Finance and Human Resources to conclude the details of the contractual and commercial negotiations in respect of the proposed loan and associated ancillary arrangements as set out in this report;
- (4) Authorise the City Solicitor to enter into and complete all documents or agreements necessary to give effect to the proposed loan and associated ancillary arrangements the details of which are set out in this report; and
- (5) Recommends that the Council approve the funding of the loan from the capital programme budget.