

Economy Scrutiny Committee

Minutes of the meeting held on Thursday, 3 September 2020

This Scrutiny meeting was conducted via Zoom, in accordance with the provisions of the The Local Authorities and Police and Crime Panels(Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Present:

Councillor H Priest (Chair) – in the Chair

Councillors Green, Johns, Noor, Raikes, Shilton Godwin and K Simcock

Also present:

Councillor Leese, Leader

Councillor Richards, Executive Member for Housing and Regeneration

Apologies: Councillor Abdullatif, Hacking and Stanton

ESC/20/29 Minutes

Decision

To approve the minutes of the meeting held on 23 July 2020 as a correct record

ESC/20/30 Update on COVID-19 Activity

Further to Minute ESC/20/27 (Update on activity under COVID 19), the Committee considered a report of the Strategic Director (Growth and Development), which provided a further update of the current situation in the city in relation to COVID-19 and an update on the work progressing in Manchester in relation to areas within the remit of the Committee.

The main points and themes within the report included:-

- An economic overview at a national, regional and local level;
- A sectoral impact update, including the impact on footfall within the city, hospitality and visitor economies;
- Planned reopening dates within the cultural sector and the funding needed for Manchester's Cultural recovery plan;
- The closure of Terminal 2 at Manchester Airport and the potential impact this would have on employment in the city;
- The steps needed to stimulate development & investor confidence in the city;
- Work being undertaken with TfGM to agree a broad overall transport plan to support the gradual opening up of the city with a focus on pedestrian movement and safe use of public transport;
- Work being undertaken around Skills, Labour Market and Business Support following on from the THINK report findings; and

- A progress update on the lobbying of government for additional funding.

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

- Concern was expressed with the reduction in residential property sales within the city centre might also be linked to cladding issues not just the impact of the COVID19 crisis;
- The increase in demand for turnover rent from hospitality businesses appeared to be a sensible response to the COVID19 crisis and was the Council engaging with landlords of businesses on this
- Concern was expressed on the dangers of monopolisation of hospitality and leisure businesses due to the impact of COVID19;
- How was the city centre likely to be impacted by the recently announced planning reforms;
- Had any progress been made with support for the city's culture sector, including small venues and freelance performers;
- Where would the capacity come from to enable people to transfer their skills into other areas as the city's economy recovered
- How was Kickstart positioned in the city and who would lead on this;
- Had there been any assessments on quality of life and wellbeing and environmental impact assessments in regards to the number of people now working from home;

The Executive Member for Housing and Regeneration advised that city centre residential sales had been affected due to the issue of remedial works required to the cladding of a number of buildings. This was an ongoing issue and due to a lack of qualified inspectors, was resulting in the slow certification and sign off for many buildings. Discussions were taking place to see if any partnership arrangements could be put in place to speed up this process.

The Leader commented that there had been a surge in mental health issues in the city which could likely be attributed to the increase in home working and there would be a need for some form of "return to work" for businesses as soon as possible to prevent this increasing further. It was also acknowledged that there was an environmental impact of working from home, and it was commented that as autumn/winter approached, there would be an increase in employees home fuel costs. The larger concern was not whether people were working from home but whether people were working at all as the government furlough scheme came to an end. The Leader also commented that there was a need to address the element of confidence within the city amongst businesses and people.

The Head of Local Planning and Infrastructure/City Policy stated that clarification had been sought from MHCLG on the planning reforms' impact on the ability to control the change of use of offices to residential accommodation. He advised that transition arrangements were being put in place which would mean that the Article 4 direction, previously agreed by the Council, which enabled the change of use of offices to residential accommodation to be controlled, would remain in place until the end of July 2021. A further announcement was expected from Government on any changes to the situation after that date.

The Chief Executive of Home Manchester advised that the Arts Council was managing the funds that government had made available to the country's cultural sectors and a small amount had been made available and allocated for small music venues. A second wave of applications for additional funding that had also been made available had also been submitted, the outcomes of which would be known later in September. In terms of the freelance economy, a number of projects were ongoing to support employment within this area of the cultural sector. It was commented that the biggest challenge facing employment within the sector would be next financial year.

The Director of Inclusive Economy advised that the Government had very recently announced the details of the Kickstart Programme, which would provide paid employment for unemployed 18 to 24 year olds claiming Universal Credit, for a 6 month period. Employers would need to demonstrate that the Kickstart opportunities were new or additional and wouldn't displace an existing job. If the employer had 30 or more opportunities, they applied directly to the DWP and once they had carried out their checks, they would be filled by Job Centre Plus. Where employers had fewer than 30 opportunities, they would be encouraged to work through an intermediary, which could be a business, public body, training organisation or charity and once the intermediary had 30 vacancies they would apply to DWP and receive a small one-off admin fee. On top of the wages, employers would receive £1500 to provide equipment and support to the young person. Councils or Combined Authorities had not been involved in the design of the programme nor did they have a formal role in the delivery other than what opportunities might be provided directly by the City Council or by acting as an intermediary. In response to the question relating to funding and capacity to upskill and reconnect residents to employment opportunities, the Director of Inclusive Economy said that given the likely levels of unemployment, the system currently would lack capacity to respond in a timely way.

Decision

The Committee notes the update.

ESC/20/31 Economic recovery narrative for the City

The Committee considered a report of the Strategic Director (Growth and Development), which provided an overview of plans to develop an Economic Recovery Plan for the city, as a key part of the Council's forward planning in response to the COVID-19 crisis. The Plan would primarily be directed at government, businesses and investors and set out a clear and detailed narrative on how the city is well-placed to use its strong assets in order to re-establish economic momentum over the next few years.

The report was accompanied with a more detail presentation delivered by Mike Emmerich of Metro-Dynamics and John McCreddie of Ekosgen who had been commissioned to develop the Plan on behalf of the Council.

The key points and themes in the report and presentation included:-

- The plan would focus on the three strategic aims identified in the Our Manchester Strategy and Our Manchester Industrial Strategy- People, Place and Prosperity, and on the priorities of inclusive growth and the foundational economy and our zero carbon commitments;
- The plan would incorporate transformational schemes and key projects under these areas, which would form part of the Council's ask to the Spending Review, highlighting how these could deliver new jobs, homes and leverage further investment.
- The narrative and projects would form a strong proposition to government, providing a clear plan for the city to come out of recession as powerfully and as quickly as it could, by building on its long-term strengths;
- It would reinforce the importance of regional cities such as Manchester as economic engines, particularly highlighting opportunities in the city centre, the Oxford Road Corridor, North Manchester and Airport City.
- There would also be an emphasis on working with distressed businesses as new opportunities emerged; youth skills and encouraging young people to stay in education; graduate re-skilling; apprenticeships schemes; and support for Black, Asian and Minority Ethnic residents and the over-50's who had also been disproportionately impacted by Covid-19; and
- Following feedback from the Committee, the narrative and key project proposals would be further developed for wider discussion. The document would then be finalised in advance of the Comprehensive Spending Review for submission to Government.

The report would also be considered by the Executive at its meeting on 9 September 2020.

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

- How would the Council seek to unlock funding from government so that the most disadvantaged residents in the city had the opportunities to access the opportunities that were envisaged as part of the Plan;
- It was important to remember the role of district centres and their contribution to the city's economy and there needed to be a continued focus on these centres going forward;
- It would be essential to obtain the necessary funding from government to deliver the ambition of zero carbon retrofitting of the Council's housing stock;
- Clarification was sought as to who was the primary audience for the Plan and what was unique about Manchester's Plan compared to other cities;
- It was commented that our response to the economic crisis needed to set a longer term trajectory in line with the local industrial strategy and Our Manchester Strategy rather than simply trying to get back to where the city was before the impact of COVID19; and
- It was felt that the narrative of the Plan needed to be mindful of the language it used in relation to "rescuing" those within the foundational sector, as the employment opportunities within this sector were also important to the cities recovery.

Mike Emmerich (Metro-Dynamics) commented that work was taking place to identify real distinctive Manchester propositions that delivered opportunities to all

communities across the city. He also acknowledged the point raised around district centres and advised that this would be picked up and incorporated into the Plan. In terms of low carbon and specifically the housing retrofit programme and fleet decarbonisation programme, he advised that these were two principle sources of carbon emissions in the city that the Council could directly affect and the Plan contained robust proposals that would profoundly change carbon emissions and fuel policy around affordable homes.

In terms of the audience of the Plan, it was explained that the principle audience of the Plan was government, as it was government who held a lot of the power to unlocking the ambitions for the city. In relation to what made Manchester's Plan unique it was commented that the Plan would be aligned to the key areas of strength that were unique to Manchester, such as its Science and Innovation sector. It was also closely aligned to the Our Manchester approach and had emphasis on achieving a zero carbon target by 2038.

The Leader noted too, the important role that district centres played in the city's economy. He commented that some of the biggest schemes with the proposals were not city centre or district centre based and emphasised that the city centre accounted for 10% of all jobs in Greater Manchester and the GMSF would identify that the city centre would see over 50% of commercial development across greater Manchester alongside the jobs that would come with this. As such it was important to acknowledge the important role the city centre played. He further commended that the business and investor sectors were of equal importance in terms of the audience for the Plan as without these, the city would not be able to get its economy back on to the correct trajectory.

Chris Oglesby (Chair of the Business Sounding Board), commented that it was essential that the city created satisfying, productive jobs for Manchester residents and this was critical to the Plan being successful, not only in high growth sectors but also the foundational sector of the economy, noting that a lot of the jobs created since the industrialisation of the 1980's had been neither satisfying or sustainable. He felt it would be challenging to get central government to empower the city through formal programmes to do more, as such, it was felt that the challenges the city's economy faced needed to be solved at a local level in partnership between the Council, businesses and education providers.

The Leader supported the point made around the language used in the narrative of the Plan centred around low skilled jobs and commented that there needed to be a system that recognised the value of the contribution that those who worked in these made to the economy.

Decisions

The Committee:-

- (1) Requests that as the narrative of the Plan develops, it contains more of a balance between the role of neighbourhoods and district centres in correlation to the City Centre.

- (2) Requests that the narrative is clearer on active travel proposals tied to government initiatives and strategies;
- (3) Requests that the language of resilience is reviewed and taken into consideration especially when referring to the foundational economy;
- (4) Requests that part of the narrative focusses on delivering jobs that are satisfying and sustainable.

ESC/20/32 Economy Dashboard

The Committee considered the most recent Economy Dashboard for 2020

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

- Could there be comparative data to other major/core cities against the indicators in the dashboard for future reports;
- Was there any update on the extension of completion schedules in some developments and what impact this might have; and
- It was suggested that for future updates connected metrics should be provided

The Research Manager noted the points made around comparative data to other major/core cities and agreed to include this in future dashboards where possible. He also commented that on construction times these were at 90% productivity on sites and work was done to estimate how this affected the development pipeline. He agreed to look to include this in future updates if possible.

Decision

The Committee:-

- (1) Notes the dashboard; and
- (2) Supports the proposal to move to a more integrated approach to economic monitoring that responds to and better supports emerging priorities

ESC/20/33 Housing Revenue Account Delivery model - Northwards ALMO Review

The Committee considered a report of the Chief Executive, which informed Members of the outcome of the recent “due diligence” review of the Arms Length Management Organisation (AMLO), Northwards Housing, undertaken by Campbell Tickell. The report provided a summary of the findings and a proposal to develop a service offer to tenants in light of the findings in order to move to a full consultation and “test of opinion” of tenants and leaseholders to the service being brought in-house.

The main points and themes of the report included:-

- A summary of the rationale for the establishment of Northwards Housing Limited (NHL) in 2005 and its primary objective;
- The current and predicted financial position of the Council’s HRA at the end of the 30-year business plan which was projecting a deficit in excess of £400m.

- The methodology used by Campbell Tickle in undertaking the review of the HRA and Northwards ALMO;
- The main findings from the review, including the current service baseline and challenges to be addressed;
- A summary of the financial and non financial benefits of three options for consideration:-
 - Retention of the ALMO;
 - Return of the Housing service to MCC; or
 - Stock transfer;
- An outline of the next steps in developing the tenants offer, which was a critical part of moving to the test of opinion ballot; and
- An indicative timescale of the next steps should the Executive support the proposal to develop a tenants offer.

The report would also be considered by the Executive at its meeting on 9 September 2020.

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

- Whilst acknowledging the financial savings returning the housing service to the Council would bring, It was not clear what the benefit to tenants would be by bringing the housing stock back into the Council or how they would receive a better service;
- There was no mention in any of the proposals of how the repair contract would be managed;
- It was questioned what the scope of the brief given to Campbell Tickle to undertake the survey was and what qualifications did they hold to undertake the survey;
- There was serious concern that the proposed financial savings by bringing the housing service back into the Council would result in the loss of jobs to Manchester residents;
- What would happen if the tenants did not agree with the proposal to return the housing stock to the Council;
- It was commented that the savings difference between improving the existing service and removing it, which was reported to be £77m, equated to only £45 per property per year over the 30 year business plan and it was felt that this needed to be clear to tenants on the level of impact this saving would have;
- Some Members were not convinced that the interests of the tenants living in Northwards managed properties were paramount in the proposals being put forward; and
- It would be essential not to lose the best elements of the current service provided by Northwards if the management of the housing stock was brought back under the control of the Council.

The Interim Director of Housing and Residential Growth advised that the report did not refer to how tenants would benefit from bringing the housing stock back into the Council as this was the next stage of the process. This stage was to validate previous assumptions that had been made that there was substance to the indicative and projected savings to be made and improvements to service. In order to deliver

the aspiration to improve services to tenants, there would need to be a test of opinion to see if there was support for the move of the management of the housing stock and to do this there would need to be an offer presented to tenants of what the service would look like if managed by the Council and how they could be engaged with and influence the service in the future.

He advised that the financial savings of returning the housing stock to the Council would be through various components, including shared back office/corporate core functions, achieving significant economies of scale.

It was reiterated that doing nothing was not an option so if the tenants didn't agree following the test of opinion, then other ways would need to be identified to tackle the financial pressures that the HRA faced.

The Leader commented that he felt there was sufficient evidence to maintain the HRA, improve the level of services and improve the overall neighbourhood management of areas by bringing the housing stock back in control of the Council.

The Executive Member for Housing and Regeneration acknowledged the positive from the survey of Northwards tenants undertaken by Campbell Tickle had identified some areas of concern that needed to be looked at in more detail. She also commented that whilst the Business Plan put forward by Northwards identified savings, the Council had had to use HRA reserves for the last few years in order to balance the budget, so questioned why these savings hadn't been identified previously.

Decisions

The Committee:-

- (1) Does not endorse the proposal that the Executive confirm insourcing the service remains the preferred option and the intention to take over direct management of the Housing Service into the Council from 5 July 2021 subject to a "test of opinion" involving all tenants and leaseholders.
- (2) Notes the review concludes that doing nothing is not an option and that there is an opportunity to achieve savings of at least £77m over the 30-year business plan by ending the current arrangements under which the Council's housing stock is managed by Northwards Housing Limited (NHL).
- (3) Notes the proposals contained within the report about how the new council controlled service offer will be developed and how, in future, tenants will be involved and empowered in the decision making about services to homes and communities.

ESC/20/34 Overview Report

The Committee considered a 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.

Decisions

The Committee:-

- (1) Notes the report;
- (2) Agrees the Work Programme as submitted