

Resources and Governance Overview and Scrutiny Committee

Minutes of the meeting held on 18 November 2010

Present:

Councillor Watson - In the Chair

Councillors Bhatti, Clayton, B Fisher, Morrison, P Murphy (RG/10/69 – RG/10/73), E Newman, Sandiford, Swannick and Trotman.

Councillor Andrews - Executive Member for Neighbourhood Services
Councillor Priest - Executive Member for Finance and Human Resources

Peter Morris – Executive Director of Pensions, Greater Manchester Pension Fund
Steve Taylor – Head of Investments, Greater Manchester Pension Fund

Apologies

Councillor Smith - Assistant Executive Member for Finance and Human Resources

RG/10/67 Urgent Business

A report on Business Plan Self-Assessments and a report on the North West Evergreen Fund were submitted as urgent business.

Decision

To note the Chair's decision to accept the items as urgent business.

RG/10/68 Minutes

Minutes of the meeting of the Committee held on 21 October were submitted for consideration.

Decision

To approve the minutes as a correct record of the meeting.

RG/10/69 Participation in the Greater Manchester Pension Fund

A report of the City Treasurer was submitted which introduced a report by the Executive Director of Pensions at Greater Manchester Pension Fund (GMPF). The report outlined the main public sector pension schemes, and the background to and

performance of GMPF. It also included actuarial and accounting valuations and likely changes to the scheme in the future as a result of changes in the law.

The covering report set out the financial consequences of membership of the fund. Members noted that the figure in the report regarding the City Council's contribution to the fund was incorrectly stated, and was actually £32 million. Contributions from employees at the Council totalled £17.6 million.

The Committee welcomed Peter Morris, Executive Director of Pensions for the GMPF, and Steve Taylor, the Fund's Head of Investments.

Tameside Metropolitan Borough Council took on the administration of the fund in 1987, and Councils across Greater Manchester have a representative on the Fund's panel. Manchester's representative was Councillor Jeff Smith. 236 employers contributed to the fund of which Manchester City Council was largest contributor at about 20% of the overall fund. The employers included schools, registered social landlords and other authorities. The report showed that across the fund approximately two-thirds of the pensions received were less than £5,000 per year, with 0.62% of pensioners receiving £25,000 or more per year.

A member asked why the Pension Fund Advisory Panel was chaired by the same person who chaired the Pension Fund Management Panel, and questioned whether this represented a good governance practice. Mr Morris advised that in practice the management panel and the advisory panel met together in the same meeting. The model provided Tameside with scope to fulfil its statutory duty whilst engaging with major stakeholders including the Trade Unions to manage the fund, and had been referred to by the Department for Communities and Local Government as an exemplary governance model.

GMPF's Investment Strategy set out how the money in the fund was invested. 32.5% was invested in UK company shares, with a further 32.5% invested in overseas companies. 25% was held in bonds or cash and 10% was invested in property. A member asked whether there was scope to ensure that GMPF's funds were invested in projects that were beneficial to Greater Manchester residents, for example by creating jobs or protecting the local environment. Mr Morris advised that the main priority when selecting investments was always the potential to generate returns but that social reasons could be a secondary priority. He added that GMPF was involved in a number of local projects, such as Elizabeth House, but perhaps more could be done to support social projects where there was a high likelihood of generation of attractive returns on the investment.

The Chair commented that although local government pension schemes were often compared to the range of other public sector pension schemes, it was different because it was the only one that did not take contributions from the Treasury.

Decision

1. To thank Mr Morris and Mr Taylor for providing the Committee with detailed information about the operation and performance of the Pension Fund.

2. To note that there may be scope for seeking to increase the use of the pension fund for investment in projects that provide local social benefits, and to support the Pension Fund in seeking to do this.

[Councillors E Newman, Swannick and Trotman declared personal interests as members of the Greater Manchester Pension Fund]

RG/10/70 Information and Overview Report

A report of the Governance and Scrutiny Support Unit was submitted. This included an overview of the major financial decisions the Council would be taking over the next four months which related to the Committee's remit. The report also included responses to recommendations made by the Committee at its previous meetings and information on the numbers of participants in the consultation on the design competition for the new-look St Peter's Square to be redesigned as part of the Town Hall Transformation Programme.

Decision

To note the information in the report and agree the work programme.

RG/10/71 Business Plan – Self-Assessments

A report of the City Treasurer and Deputy Chief Executive (Performance) was submitted updating members on the business planning process and introducing the four self-assessments selected by the Committee at its last meeting. Members asked how the Corporate Performance section ensured that the scores used across service areas in the self-assessments were consistent. The Assistant Chief Executive (Finance and Performance) advised that some normalisation of the scores took place, both through guidance to officers on carrying out the self-assessment and through comments on draft assessments.

A) Corporate Procurement

The City Treasurer introduced the self-assessment and commented that Manchester was taking a regional lead in procurement. The Council had recently been invited to advise the Department for Communities and Local Government on good procurement practices. The assessment demonstrated that the service was well equipped to continue to procure goods for the Council and other bodies legally and in a way which provided value for money. The Council's approach to procurement also supported local suppliers and projects that would benefit Manchester residents where possible.

Members felt that the service benefited from high levels of leadership and expertise through the Council's Head of Procurement.

A member stated that he understood that the SAP software system used by the Council did not automatically detect multiple invoices for the same product and asked whether we had purchasing a software system that would carry out this function. The

City Treasurer advised that the Finance Shared-service Centre looked to spot multiple invoicing and consideration was being given to whether a project might be initiated to do further checks in this area.

B) Financial Management

The Chair noted that the Finance Shared Service Centre and Payroll were currently being consolidated with Personnel and Training Shared Services under one business area reporting to the City Treasurer. A separate business plan for this was now under development and the Committee agreed to look at it once it had been drafted. The Committee noted that although the shared service centre would become a separate business area managed by the head of Revenue and Benefits.

The self assessment highlighted that 40% of invoices were being processed without a supporting Purchase Order. The Assistant Chief Executive (Finance and Performance) advised that the Council was looking to reduce this figure through improved guidance and training to finance staff on the operation of the procurement process from start to finish. In some cases it was appropriate to process invoices without a supporting purchase order because different systems were being used, for example for payments to foster carers. The Chair requested that the City Treasurer monitor the percentage of invoices that are unsupported that should have a Purchase Order so that performance in this area can be addressed.

C) Human Resources / Organisational Development

The Chair noted that some of the scores in the self-assessment for the service area were quite low, but said that she expected this given that the service area was in its formative stages. The Assistant Chief Executive (People) advised that the scores were an honest reflection of the current performance, but that the service area was strengthening and that the target of making £1million of savings this financial year should be hit. The Executive Member for Finance and Human Resources added that the Council was not yet receiving what it needed from its Human Resources and Organisational Development functions, but that the new service area was making great efforts to address this.

A member asked for clarification regarding what the cost of performance per employee statistic measured. The Assistant Chief Executive advised that this was a CIPFA measurement which showed the cost of the service area divided by the number of employees in the organisation. The statistic for Manchester was just under the national average. The Treasurer advised that CIPFA were in the process of developing services to measure performance in this way for other sections of local authorities.

The Chair added that the Human Resources Subgroup of the committee would continue to monitor performance in attendance management and encourage improvement in this area.

D) Revenues and Benefits

The Committee discussed the self-assessment for revenues and benefits. In some areas members felt the assessment was overly self-critical and did not reflect as much as it might, the difficulties of collecting revenue in a city with high levels of deprivation and transience. The City Treasurer added that revenue collection and benefit administration lent itself to performance management, and because of this it was difficult to be satisfied with performance when improvements were always possible.

Members asked what impact the level of unemployment might have on the speed of benefit administration, and what impact the incentive to freeze Council tax might have on revenue collection. The Benefits Manager advised that the service would need to monitor individual caseloads with caution so that benefits could continue to be assessed efficiently. The Revenue Manager added that the freeze might lead to a slightly higher collection rate but its impact was not expected to be particularly significant, given the levels of transience in the city.

Decision

1. To note the self-assessments.
2. To agree to look at the draft business plan for the shared service centers once it has been drafted.

RG/10/72 2010/11 Highway Services Budget Overview

A report of the Head of Highways Services was submitted outlining the structure of the services funding sources. The Committee had requested a report setting out as clearly as possible what funding sources the service had available, and what constraints applied to each source.

A member commented that he was aware, and a number of other councillors had told him, that a large number of street lights were becoming dimmer or had flickering bulbs. The bulb and power supply to the lights had not changed, but the Executive Member offered to look into the concerns of members if they told him which lights on which streets their concerns related to.

The Chair asked how contract performance by sub-contractors such as Amey and Kenny Bros Ltd was monitored. The Highways Client Services Manager advised that the sub-contractors monitored their own performance and that the Highways section did random spot checks to verify the information they received.

The report set out what funding reduction was anticipated in the December settlement with Government. It was anticipated that many of the grants for specific types of schemes would be reduced or removed. For example £2.8 million would be lost if the funding for minor works under the Local Transport Plan was removed.

The Chair commented that although the Committee had hoped for a report which would clarify funding arrangements for highways work, it was obvious that the funding arrangements were quite complex. The Executive Member for Neighbourhoods commented that once the settlement with Government had been

made the range of funding sources for highways work could be very different. Because of this the Committee asked for a briefing note setting out how the funding arrangements for highways services had changed once the implications of the settlement with Government were known.

Decision

1. To note the current funding arrangements for Highways services and the complexities around what the money can be used for.
2. To request that a briefing note is submitted to the Committee for information once the financial settlement for local Government has been agreed, setting out how the funding arrangements have changed.

RG/10/73 Neighbourhood Funding Strategy Update

A report of the Deputy Chief Executive (Performance) was submitted updating the Committee on the status of the current years Neighbourhood Funding Strategy (NFS) proposals and measures to improve communications with elected members. The Strategy Leader in Corporate Performance advised that of the 172 proposals made this year 70% could be met in year or within the life of the current set of business plans. An update to all Councillors advising them on progress with their proposals was due on December 17.

The Chair commented that she felt it would be important to look at the effect of the Neighbourhood Funding Strategy since its introduction and see what effect it had had on supporting heads of service to shape their service area to support local concerns and priorities. The Deputy Chief Executive (Performance) responded that this information could be provided in a future report to the Committee.

Decision

To note the report and to agree that the Committee should look at statistics demonstrating the effect of the Neighbourhood Funding Strategy since its introduction to see what effect it had on supporting heads of service to shape their service area to support local concerns and priorities.

RG/10/74 The North West Evergreen Fund

A report of the Chief Executive was submitted. The report was due to be submitted to the Executive on 24 November, seeking approval to the establishment of the North West Evergreen Fund as the urban development fund for Greater Manchester, Lancashire, Cheshire and Cumbria. The fund will be used for projects in the north west excluding Merseyside, which has a separate urban development fund. £30 million has been allocated to the Evergreen fund; £10 million will be reserved for projects in Greater Manchester, the same amount will be reserved for projects in Cheshire, Cumbria and Lancashire and a further £10 million can be used across the Evergreen fund area.

The fund will be used to resource projects that promote the priority areas of the Investment Strategy for the fund. These include creating high-employment, investing in science research and innovation, strengthening culture and media, supporting strong and diverse town centres, promoting a strong and sustainable industry base and remediating sites so they can be used for development.

The Committee asked what level of financial risk the Council would be subjected to through its involvement in the fund. The Head of Regeneration (Legal) advised that there was an element of risk in loan-financing projects however the funding mechanism for the projects (JESSICA – Joint European Support for Sustainable Investment in City Areas) required the use of certain practices in risk pricing, provision of security and risk management to mitigate the level of risk.

A member tested whether the funding complied with the rules regarding the distinction between revenue and capital expenditure. The City Treasurer explained that the correct accounting practices were being followed.

The Chair added that she felt that the fund would make an important contribution to sustain the region's economy in a period of time when funding resources were becoming more scarce.

Decision

To commend the recommendations in the report to the Executive.