

## **Economy, Employment and Skills Overview and Scrutiny Committee**

### **Minutes of the meeting held on 8 September 2010**

#### **Present:**

Councillor Cameron – In the Chair  
Councillors Bethell, Chamberlain, Commons (present for EES/10/37 – EES/10/39), Green, Richards, Smitheman, Swannick and Walters (present for EES/10/36 – EES/10/39).

Councillor S Murphy, Deputy Leader of the Council  
Councillor N Murphy, Executive Member for Environment  
Councillor Ali, Executive Member for Employment and Skills  
Tim News, Deputy Chief Executive, MIDAS  
Stephen Clark, Rail Programme Director, GMPTE

#### **Apologies:**

Steve Mycio, Deputy Chief Executive (Regeneration)

### **EES/10/35 Minutes**

#### **Decision**

To agree the minutes of 21 July 2010 as a correct record.

### **EES/10/36 Information and Overview Report**

A report of the Governance and Scrutiny Support Unit was submitted providing information about the Committee's work programme and relevant issues affecting the Committee's remit. Members were asked to note the responses to the Committee's previous recommendations and agree the draft work programme.

Members noted the comprehensive response to their recommendation on the Northenden Village Local Plan from the May meeting of the Committee.

#### **Decision**

1. To note the responses to the Committees previous recommendations.
2. To agree the draft work programme.

### **EES/10/37 Manchester Investment and Development Agency (MIDAS)**

A report of the Deputy Chief Executive, MIDAS was submitted for consideration. The report provided members with an overview of the core functions of MIDAS and its role and performance within the Manchester local authority and the wider city region.

The Committee welcomed Mr Tim Newns, Deputy Chief Executive, MIDAS, who gave a presentation to members highlighting some of the work and successes of MIDAS over the past three to four years. MIDAS is Manchester's investment and development agency with a remit to attract new investment and employment to the city region. The organisation is wholly owned by the ten AGMA authorities and is funded by those authorities and the North West Development Agency. MIDAS works in partnership with Manchester City Council and Marketing Manchester on key enquiries and projects within the local authority boundary. Councillor Sue Murphy, Deputy Leader is also one of the five AGMA representatives with a seat on the MIDAS Board.

MIDAS has a proactive approach to identifying and targeting potential inward investment from international markets such as the USA, Europe and India and also in the UK. It promotes the Manchester city region as a world-class location in which to invest. MIDAS also engages with existing investors in the city region, both international and UK owned firms in recognition of the growth potential of these companies.

Over 14,000 jobs have been created over the last four years with Creative Industries, Finance & Professional Services, Business Services and Manufacturing being the top performing sectors. The Manchester local authority area has received 70% of MIDAS successful projects and 54% of jobs. Examples of successful projects are the continued expansion of BNY Mellon who have created around 1,000 jobs and the Royal Bank of Scotland who have established the first major investment banking operation in the city and will create a total of 310 high value jobs.

The Committee thanked Mr Newns for his detailed presentation. The number of jobs and businesses that MIDAS had brought into the city region impressed members and they commended MIDAS for this work. A member asked about the level of investment from different countries and whether any work had been done to attract sustainable investment from other countries such as South Africa and Russia. Mr Newns replied that India and China were the main target countries for long term sustainable investment. Opportunities in South Africa and Russia were limited but MIDAS used existing contacts to look at other potential markets such as Brazil.

A member asked about MIDAS's role in promoting Manchester's business image to other countries. Mr Newns said that MIDAS worked jointly with Marketing Manchester to build a strong brand for Manchester. Some of the perceptions of Manchester were outdated for example in India, Manchester is recognised for being the home of the industrial revolution and manufacturing. MIDAS has brought several business representatives to the city so that they can see for themselves what Manchester has to offer. It also exploited opportunities to work closely with established Manchester based brands such as Manchester United Football Club, particularly in countries where they are popular. The Deputy Leader added that MIDAS also supported work to sell Manchester as a place to live for families accompanying investors and workers coming into Manchester.

A member asked whether MIDAS did any work to attract small and medium businesses (SME) to Manchester as this would be create more jobs and promote the

long term sustainability of the economy. Mr Newns said that the purpose of attracting larger companies is to create a volume of jobs in the short term but MIDAS did recognise SME potential for growth and targeted a number of companies that were complimentary to larger investments into Manchester.

Members discussed the top performing business sectors in terms of the number of project successes and jobs created. Some members were surprised that MIDAS had attracted a number of financial services businesses to the city, as London is usually dominant in this area. Mr Newns said that Manchester could attract these businesses based on the skills base and the cost savings of running a business in Manchester compared to London. The Bank of New York relocated from Canary Wharf on this basis. A member asked whether MIDAS had attracted business from the environmental technology sector. Mr Newns said that several companies such as GenPro had invested in Manchester. MIDAS is also exploring opportunities in solar energy and glass manufacture.

A member asked how MIDAS targeted suitable companies in Europe and further afield. Mr Newns said that MIDAS had recently looked at the demographics of Manchester communities to identify potential businesses to invest in Manchester. Manchester has significant Greek, Polish, Caribbean and Indian communities based in the city. MIDAS looked to identify opportunities for businesses from these countries to invest in Manchester but this approach had varied levels of success depending on the strength of links with communities. One successful lead from the West Indian community had attracted investment from Jamaica.

The Committee discussed the impact of potential funding cuts on how MIDAS would continue to carry on with the breadth of work it does. The NWDA and the ten AGMA authorities currently fund MIDAS. Mr Newns said that there is demand for MIDAS's services and it continues to receive many enquiries particularly from overseas. Loss of grant funding has the potential to impact how well MIDAS can sell Manchester as a place to invest and the ability to support investment. MIDAS will seek alternative routes to secure this funding. Members suggested that the Committee should return to this topic in nine months time, once potential funding restrictions are known and how this affects the Manchester economy.

**Decision:**

1. To thank Mr Newns for his detailed presentation about MIDAS
2. To agree to add an item to the work programme for June 2011 to look at how MIDAS funding restrictions are affecting the Manchester economy.

**EES/10/38 High Speed Rail – Core Cities**

The Committee considered a report of the Rail Programme Director, Greater Manchester Passenger Transport Executive (GMPTE), about the recent government and GMPTE work on establishing a high speed rail link from London to core cities. The report described the work carried out by GMPTE on the economic benefits of high speed rail and to promote a high speed rail link to Manchester.

The Committee welcomed Stephen Clark, Rail Programme Director, GMPTE to the meeting. Mr Clark informed members that the Government established High Speed Two Ltd (HS2) in January 2009 to consider the options for a new high speed rail network in Britain, starting with a costed proposal for a new line from London to Birmingham. The HS2 study concluded that the initial core high speed network should be a Y-shaped network linking London to Birmingham, Manchester, the East Midlands, Sheffield and Leeds.

HS2 has begun work on proposals for a high speed line to Manchester. As part of this GMPTE and Manchester City Council formed a working group to identify potential station sites in the North West. This group's approach mirrors that taken in London and the West Midlands where sites are long listed before they are narrowed down to identify a preferred site. The work is expected to be finished by summer 2011.

In summer 2009, GMPTE and Manchester Airport commissioned AECOM and KPMG to assess the case for Manchester to be served by a high speed rail line, and the economic consequences of such a development. The study focused exclusively on the wider economic benefits of high speed rail and found that it would bring significant economic benefits for the region including the creation of up to 10 000 jobs across the North West. The report also examined the benefits of onward high speed links to Leeds, Sheffield and Scotland. The greatest benefits for Manchester are to be derived from a link between Manchester and Leeds.

Members asked about the options being considered for potential station sites in Manchester. A member referred to the process that had taken place to draw up the long list for sites in the West Midlands, and asked whether consideration would be given to connecting Manchester Airport. Another member commented on the unreliability of the existing Manchester Airport line. Mr Clark said that HS2 work would look at the location of stations including consideration of city centre and/or interchange stations, and providing access to the Airport. He added that access to the Airport would be additional to, and not instead of, a central Manchester station although further work is needed to look into the specific details of how this would be achieved.

A member asked about high speed rail link between Manchester and Leeds, and the benefits this would provide. Mr Clark stressed that it is not yet clear whether access to Leeds will be from Manchester or directly from London. A significant proportion of the benefits could be achieved through an upgrade to the existing rail line to reduce journey times. The study concluded that finding a satisfactory conclusion to the Northern Hub was key to the success of high speed rail. The Northern Hub work will address the most serious bottlenecks in the rail network in Manchester and elsewhere across the north, and improve rail access and journey times to Leeds and Sheffield.

In response to queries from members, Mr Clark confirmed that a decision about high speed rail is expected in July 2012 although this is changeable depending on the outcome of the comprehensive spending review. He stressed that these are long-term proposals with the first high speed rail link being operational from 2027.

**Decision:**

To note the report and to thank Mr Clark for his presentation.

**EES/10/39 Centre for Local Economic Strategies (CLES)**

The Committee considered a report of the Regeneration Manager (Employment Skills) and the City Treasurer. The report outlined the background to the Centre for Local Economic Strategies (CLES) and the conclusions of a piece of work undertaken by CLES that sought to determine how much of Manchester City Council's spending stayed in Manchester. This report aims to demonstrate the value of the Council's CLES membership by highlighting a particular piece of work on sustainable procurement.

The Head of Corporate Procurement told members that CLES was established in 1986 in response to concerns relating to the lack of focus for investment in metropolitan cities. Manchester was one of the 5 original member authorities. Manchester City Council asked CLES to undertake an analysis of the impact of the Council's sustainable procurement strategy at a discounted rate as part of its membership.

The research was commissioned in November 2009 at a cost of £14000. The key aims of the research were: to assess the extent to which procurement spend on the top 300 suppliers stays in Manchester; to understand what happens to procurement spend once it reaches suppliers; and to explore the validity of the sustainable procurement strategy and any key barriers within the system. CLES made a number of recommendations, which were reported to the Executive on 10 March 2010. The report highlighted the progress against each of the individual recommendations.

Some of the key findings from the initial research are:

- 5,225 Manchester residents are directly employed due to the Council's spend on their top 300 suppliers and contractors.
- £184 million or 51.5% of spending is with organisations with a MCC boundary postcode or with a branch within the local authority boundary.
- £309 million or 86.5% of the Council's spend is with suppliers based in Greater Manchester (within the top 300 of suppliers). For suppliers ranked 301-1000 the composite figure is around 55%.
- £17.5 million was spent with Manchester based SME's.

The Head of Corporate Procurement informed members that the research demonstrated that the Council's procurement spending has a significant impact upon the Greater Manchester economy. It reveals the extent to which procurement spending is with organisations within the Manchester City Council boundary and the benefits to our local communities and within the wider AGMA sub region. It also allows the Council to influence the practices of the supply chain, for example, identifying opportunities for working closely with organisations awarded new contracts to help them recruit locally. The most recent example of this was the contract for security services whereby discussions with the successful supplier and

Job Centre plus has resulted in thirteen job vacancies being offered to Manchester residents

The Committee acknowledged the Council's close relationship with CLES. The Regeneration Manager (Employment and Skills) outlined some of the benefits of CLES membership to the Council. These included access to CLES research and information, low rates on training courses and reduced rates on consultancy work.

A member asked about how the recommendation to extend the research across all AGMA authorities would be taken forward. The Head of Corporate Procurement said CLES made this recommendation to AGMA to show where procurement policies across each of the authorities could be made more sustainable. The cost of carrying out this research across all AGMA authorities is £30,000. The recommendation is being taken forward through the AGMA Procurement Hub. The Head of Corporate Procurement confirmed AGMA have not yet agreed to fund the research. CLES feel that the research is of such value and they are looking at ways to fund it themselves or via alternative sources.

Members of the Committee recognised the value and importance of this work to Manchester City Council, particularly in identifying ways that the Council can make procurement activities beneficial to the local economy. Members suggested that AGMA would benefit greatly from undertaking the same exercise and the CLES price provided good value for money. A member suggested that the Committee should write to AGMA to encourage them to fund the CLES research to understand the extent to which procurement spend on the top 300 suppliers benefits the economy.

In response to a query about comparing the results of the CLES research with other authorities, the Head of Corporate Procurement said that only West Lothian and Swindon had carried out similar research. As such, there are no suitable studies to assess how Manchester compares with other core cities.

A member questioned the extent to which, the sustainability of a tender could be assessed under the new EU Procurement regulations, which state that value for money should be the primary consideration. The Head of Corporate Procurement confirmed that value for money is the primary consideration. The Procurement Service provides advice about value for money to Manchester based potential suppliers from the voluntary sector and SME's. In addition, the service has also simplified the tender process offered procurement skills training and support, and standardised payment terms from 30 days to 10 days. In response to whether the Council would be open to challenge about competitive tenders, the Head of Procurement confirmed that this has not happened yet.

**Decision:**

1. To note the value of CLES membership
2. To recommend that Chair of the Committee should write to AGMA to encourage them to fund the CLES research to understand the extent to which procurement spend on the top 300 suppliers benefits the local economy.