

**MINUTES OF THE MEETING OF THE
GMCA OVERVIEW & SCRUTINY COMMITTEE HELD WEDNESDAY, 14
AUGUST 2024 AT THE TOOTAL BUILDINGS - BROADHURST HOUSE, 1ST
FLOOR, 56 OXFORD STREET, MANCHESTER, M1 6EU**

PRESENT:

Councillor Nadim Muslim	Bolton Council (Chair)
Councillor Robert Morrisey	Bolton Council
Councillor Peter Wright	Bolton Council
Councillor Russell Bernstein	Bury Council
Councillor Imran Rizvi	Bury Council
Councillor Basil Curley	Manchester City Council
Councillor John Leech	Manchester City Council
Councillor Anthony McCaul	Manchester City Council
Councillor Terry Smith	Rochdale Council
Councillor Dylan Williams	Rochdale Council
Councillor Maria Brabiner	Salford Council
Councillor Helen Hibbert	Stockport Council
Councillor Rachel Wise	Stockport Council
Councillor Jill Axford	Trafford Council
Councillor Ged Carter	Trafford Council
Councillor George Devlin	Trafford Council
Councillor Shaun Ennis	Trafford Council
Councillor Claire Reid	Tameside Council
Councillor Debra Wailes	Wigan Council
Councillor Fred Walker	Wigan Council

OFFICERS IN ATTENDANCE:

Laura Blakey	GMCA
Karen Chambers	GMCA

Gillian Duckworth

GMCA

Nicola Ward

GMCA

O&SC 16/24

APOLOGIES

Apologies for absence were received from Councillor Joshua Brooks (Salford), Councillor Joanne Marshall (Wigan), Councillor Colin McLaren (Oldham), Councillor Lewis Nelson (Salford), Councillor Naila Sharif (Tameside), Councillor Mandie Shilton - Godwin (Manchester) and Caroline Simpson (Group Chief Executive, GMCA, GMFRS & TfGM).

O&SC 17/24

CHAIR'S ANNOUNCEMENTS AND URGENT BUSINESS

Members were reminded to complete the work programme survey recently distributed to them via email. This will not only help determine the work programme for the rest of the municipal year but also help establish the subject for any task and finish group. It was noted that the deadline for completion was 30 August.

Members were reminded of their obligations under the GMCA Members' Code of Conduct and were requested to complete an annual declaration of interest form, which had been emailed to them by the Governance & Scrutiny Officer.

The Chair proposed that any reports that come to the Committee be taken as read in order to give members more time for questions and discussions. It was noted that if there was any additional information further to the reports, officers would ensure that this was shared at the meeting.

RESOLVED /-

1. That members would complete the work programme survey before the 30 August 2024.
2. That members as per their obligation stated in the Code of Conduct would complete their Annual Declaration of Interest form and return it to the Governance & Scrutiny Officer.
3. That in order to ensure adequate time for questions and discussions at committee meetings, reports that are circulated with the agenda are taken as read.

O&SC 18/24

DECLARATIONS OF INTEREST

RESOLVED /-

No declarations were received in relation to any item on the agenda.

O&SC 19/24

MINUTES OF THE MEETING HELD 24 JULY 2024

RESOLVED /-

That the minutes of the GMCA Overview and Scrutiny Committee held on 24 July 2024 be approved as a correct and accurate record.

O&SC 20/24

**APPOINTMENT OF VICE CHAIR FOR THE GMCA
OVERVIEW & SCRUTINY COMMITTEE**

Gillian Duckworth, Monitoring Officer, GMCA, introduced the report which was requested by members of the GMCA Overview & Scrutiny Committee at their meeting

on 24 July 2024. The report provided members with relevant information to enable them to consider whether they wish to appoint a Vice Chair.

It was noted that there was not a constitutional or legal requirement to have a Vice Chair and therefore there were no specific tasks allocated to the role. However, section 2 of the report gave a brief description of the most common aspects of the role in other Committee structures.

The Vice Chair would have the same level of privileges as a Committee member with no casting vote, no ability to bring forward items for call-in without the support of two other members and access to information in line with the Access to Information Procedure Rules.

In November 2022, the GM Independent Remuneration Panel (IRP) undertook a review of allowance payments for GMCA Overview & Scrutiny members. Although it was not within their terms of reference for this review, the IRP decided to make a recommendation on the remuneration for a Vice Chair, should the Committee decide to make an appointment in the future.

The Committee was given the opportunity to ask questions and seek clarification on the paper, there was some discussion that included:

Clarification was sought in relation to the current guidance in the Constitution which suggests that if a permanent Vice Chair is not appointed then any member of the Committee would be able to chair the meeting. They would not need to be an “appropriate person”. It was confirmed that in order to change this it would mean a change to the Constitution which would need to be taken through the Combined Authority.

However, members of the Committee suggested that in the absence of the Chair, a Chair for that meeting would be selected from the members of the Committee in attendance and that person would be an “appropriate person” in line with good governance.

Following a vote, it was agreed that the Committee would appoint a Chair for any meeting where the appointed Chair was absent and that person would be an “appropriate person”.

RESOLVED /-

1. That the contents of the report be noted.
2. That the Committee would appoint a Chair for any meeting where the appointed Chair was absent and that person would be an “appropriate person”.

O&SC 21/24

GM INVESTMENT FUNDS

Laura Blakey, Director of Strategic Finance & Investment, GMCA, introduced the report which was requested by members of the GMCA Overview & Scrutiny Committee at their meeting on 24 July 2024.

Officers advised that the first part of the report gave an overall status of the GM Investment Funds and reported that the only significant change to their previous report in December 2023, was the introduction of GM Advance. GM Advance was a new fund focused on driving growth in the Advanced Manufacturing and Materials sector. GM Advance provides equity, debt and micro-equity to businesses operating in the sector at subsidised rates. This was a pilot project and if successful will be rolled out to other sectors that are key to growth in GM.

The second part of the report gave a detailed note on the process that underpins the GM Housing Investment Loans Fund (HILF).

Officers advised that the GM Investment Funds started in 2015, as a £300m loan from MHCLG (previously DLUHC) of which £120m had been repaid, meaning there was now capacity of around £180m. The fund would close to new commitments in

March 2025, although talks were taking place as to whether the existing fund would be extended.

Under the terms of the agreement with MHCLG, GMCA had underwritten 80% of the £300m original loan. To date, there have been no losses.

Loans were given on commercial terms and on 'State Aid' interest rates. GMCA was able to retain interest earned over and above the State Aid rate. The fund had approved £1.2b of funding over the last 8.5 years (a list of the schemes funded was provided in the report).

The final part of the report discussed the future of the GM Investment Funds and the proposals for future criteria.

The Committee was given the opportunity to ask questions and seek clarification on the paper.

Members asked why the allocation of funding to developments was not geographically equal, for instance Bury had significantly fewer approved developments than Manchester. Officers advised that no viable proposals for funding were turned away. It was noted that affordable housing schemes were taken from the Brownfield Housing Fund. When looking at housing and how to address housing need the two funds were considered but our lever for affordable housing sat with the Brownfield Housing Fund. Officers advised they would provide the Brownfield Housing Fund statistics for Bury as requested.

The Committee enquired as to how much of the GM Housing Investment Loans Fund contributed towards social housing in Local Authorities. Officers confirmed that the GM Housing Investment Loans Fund was purely a commercial fund so not able to be used to provide wider social benefit. However, the GMCA have, through the fund, been able to invest in social impact funds focused on homelessness and supported need and one of the greatest successes of the fund is investing in Small and Medium Sized Enterprise (SME) developers who wouldn't necessarily be able to raise the

bank finance as larger developers can. Officers assist SME developers through the process and are able to provide more support and time into schemes which would be difficult fund in a traditional way.

It was noted that the figure used to verify how the fund supports the creation and retention of jobs is calculated using quarterly monitoring which records the number of jobs created or safeguarded since the funding was awarded. This is completed for all schemes.

The Committee enquired as to why a number of the loans offered have not gone forward and if there was a common theme. Officers advised that the figures in the report includes loans not yet committed and some that are waiting to go through the process. It was noted that a number of loans do not progress. Common themes were developers not being able to secure other funding, due diligence checks bringing up new issues and, in some cases, the scheme has become less viable over time.

The Committee queried membership of the Gateway Panel and asked if it would be beneficial to have a panel member with public sector expertise. It was clarified that 2 of the 3 panel members do have public sector expertise.

The Committee asked for clarification regarding the percentage of the fund that has been awarded to a particular developer and asked if there was a cap to their lending. Officers confirmed that the developer in question has been awarded funding totalling £338m of which £315m has been repaid. In addition to this, 2 further schemes were approved by the Combined Authority in March 2024 bringing the total to £598m. Officers advised that in relation to the overall fund size, each developer was assessed on their own merit and caps were applied depending on circumstances. It was confirmed that the Gateway Panel frequently asked for more information on a scheme for follow up at the next meeting before a decision was made. Track records were important, not necessarily the track record the developer has with the GMCA but is the wider track record that was considered. Officers advised that club loans are not awarded often. It was noted that loan caps were calculated based on the specific developer and a risk assessment was completed for each individual loan. The risk

level would contribute the level of cap. It was noted that it was common to have a percentage of the loan as an arrangement fee, which would differ depending on the loan. Monitoring fees were also put in place as there were extensive monitoring requirements for each scheme. Caps did take into consideration any special purpose vehicles (SPVs), so any SPVs a developer had would be aggregated. Loans were secured on the site, plus other assets and at times a custodian guarantee was needed.

The Committee asked what work was taking place with Housing Associations to ensure that a suitable provider can be found to manage any homes built as affordable housing, and how schemes such as supported living are monitored. Officers advised that the GM Housing Partnerships role was to understand these issues and how to resolve them. A wider piece of work had started following the GM Mayors Housing First objective which looks at how to make more housing supply available for affordable homes. Officers suggested that the Committee may be interested to see more about this work once it is more fully developed. It was reiterated that the GM Investment Funds were not the main lever for affordable homes and that the delivery of affordable homes was the responsibility of local authorities and not something the GMCA has authority over.

Members were keen to unlock ways to progress potential schemes and questioned whether providing subsidies could change developer behaviour, noting the added risk to the fund. Officers confirmed that the relaxing of requirements of the fund to allow the GMCA to give subsidies would indeed come with some potential risks, therefore we would be looking for a layer of protection to allow us to subsidise potentially through grants, but that this would be part of the ask of Government regarding the future of the fund.

Officers advised that they were not aware of any formal complaints regarding the HILF but would provide members with this information, along with details of any developments that would not have gone forward without the fund. Officers provided examples of SME schemes delivered by the fund which would have been difficult to

deliver without it, such as Stockport Interchange and Farnworth Green, details of which were contained in the report.

The Committee asked for clarity around loan values and periods. Officers advised that the loan value and the period were calculated by taking the proposed loan amount and comparing that to the estimated value of the scheme once completed. The period of the loan was determined by how long it takes to complete the development, for example, if a development takes 18 months to 2 years to complete, the GMCA would allow 6-12 months for repayment depending on the circumstances. Some developers have forward agreements in place and these loans are repaid straight away. Officers advised that there were procedures in place if a developer becomes bankrupt, to ensure that there is sufficient security around the monies but to date no developers have become bankrupt.

Officers advised that they would discuss the matter of co-operatives with interested parties outside the meeting as this was a developing strategy.

The Committee asked what was in place to ensure that developments benefit the local community, such as community wealth building and adding social value. Officers advised that larger developers were asked for details of their supply chain to ensure they were using local suppliers; this was more difficult for smaller developers, but further work on this would be considered if the fund was extended.

The Committee asked for clarity around the loan agreement due diligence decisions delegated to the Treasurer and Monitoring Officer. Officers advised that any changes to commercial terms would either sit with the Chief Executive in consultation with the Portfolio Holder, or if the changes were significant a report would need to go to the Combined Authority for approval. The role of the Treasurer and the Monitoring Officer was to ensure the due diligence was completed to satisfaction. It was confirmed that due diligence checks do include anti money laundering processes.

Clarification was sought regarding schemes attracting huge profits and the potential for subsidies to pay for the developer's affordable housing percentage. Officers advised that having strict overage clauses within the grants captures this.

Concerns were raised around the process for applying for loans. Members commented that there appears to be no formal application process in place. Officers advised that the team speak to many developers at various stages of their schemes over a period of between 6-12 months, and they do ensure that the same information is collated from all the developers before any schemes are considered for the funding process. The fund managers constantly discuss schemes within the team and seek advice when they need to from members of the Credit Committee.

The Committee discussed the application process and were asked to vote on a proposed recommendation that a formal application form be put in place going forward to ensure a transparent process. Members commented that there was a process in place, similar to a triage process, but agreed that it was important to have a record of applications.

It was agreed that officers consider how best to gather further data on the number of applications progressed to the next stage and drop off rates And that any future reports on the fund include this data.

It was confirmed that Right to Buy would be included in the Housing First Update report that is due to come before the Committee in October, as would the appropriateness of housing point raised by members. In relation to affordable housing, it was noted that some of the issues raised by the Committee had been explored by the Task and Finish Group and that their report would be shared with new members of the Committee.

RESOLVED /-

1. That the background and governance process contained in the report be noted.

2. That officers provide details of the Brownfield Fund statistics for Bury to interested parties.
3. That officers provide the committee with details of any complaints received regarding the fund, if there were any.
4. That a future report noting the description of the application process and additional data gathered regarding applications be provided in due course.
5. That a copy of the Committee Task and Finish Group report on affordable living be shared with the new members of the Committee.

O&SC 22/24

**OVERVIEW & SCRUTINY WORK PROGRAMME &
FORWARD PLAN OF KEY DECISIONS**

The Committee were advised that there were two upcoming online information briefings which they were encouraged to attend:

- 4 September - Homelessness
- 12 September – Work and Skills

RESOLVED /-

1. That the proposed Overview & Scrutiny Work Programme for August to October 2024 be noted.
2. That Members use the Forward Plan of Key Decisions to identify any potential areas for further scrutiny.

RESOLVED /-

That the following dates for the rest of the municipal year be noted:

- 25 September 2024 – 1pm to 3.30pm
- 23 October 2024 – 1pm to 3.30pm
- 27 November 2024 – 1pm to 3.30pm
- 11 December 2024 – 1pm to 3.30pm
- 29 January 2025 – 1pm to 3.30pm
- 5 or 12 February 2025 – 1pm to 3.30pm
- 26 February 2025 – 1pm to 3.30pm
- 26 March 2025 – 1pm to 3.30pm