



Resources and Governance Scrutiny Committee

Date: Monday, 24 February 2020

Time: 10.00 am

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Revised and Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published and with further items of business now added to the agenda.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

Filming and broadcast of the meeting

Meetings of the Resources and Governance Scrutiny Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Resources and Governance Scrutiny Committee

Councillors - Russell (Chair), Ahmed Ali, Andrews, Clay, Davies, Lanchbury, Moore, B Priest, Rowles, A Simcock, Stanton, Wheeler and Wright

Supplementary Agenda

- 4a. Minutes of part of the proceedings of Executive on 12 February 2020 - relating to the budget for 2020/21** 3 - 28
The part proceedings from the Executive meeting on 12 February are now attached.
- 5q. Details of any proposed Budget Amendments** 29 - 32
The report of the City Solicitor is now attached.
- 6. Our Town Hall Project - Notice to Proceed** 33 - 60
The report of the Deputy Chief Executive and City Treasurer is now enclosed.
- 7. Exclusion of Press and Public**
The officers consider that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Committee is recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item.
- 8. Our Town Hall Project - Notice to Proceed (Part B)** 61 - 68
The report of the Deputy Chief Executive and City Treasurer is now enclosed.

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

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This supplementary agenda was issued on **Friday, 21 February 2020** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street), Manchester M60 2LA

Executive

First Part Proceedings of the meeting held on Wednesday, 12 February 2020

Present: Councillor Leese (Chair)

Councillors: Akbar, Bridges, Craig, N Murphy, Ollerhead, Rahman, Stogia and Richards

Also present as Members of the Standing Consultative Panel:

Councillors: Karney, M Sharif Mahamed, Sheikh, Midgley, Ilyas, Taylor and S Judge

Apologies: Councillor S Murphy and Leech

Also present: Councillor Stanton

Exe/20/9 Minutes

Decision

To confirm the minutes of the meeting on 15 January 2020 as a correct record.

Exe/20/10 Revenue Budget Monitoring 2019/20

A report was submitted to provide a summary of the position of the 2019/20 revenue budget as at the end of December 2019. The report gave details of the projected variances to budgets and the state of the Council's contingency funds. Projecting forward from the position at the end of December 2019 it was forecast that by the year-end in March 2020 the revenue budget would be overspent by £2.790m, an improved position on the £4.169m overspend that had been predicted at the meeting in December 2019 (Minute Exe/19/106). The report explained that the overspend was still mainly arising from service pressures on the adult social care budgets and Children's Services.

It was explained at the meeting that the budget position being reported in this report had been the basis for the formulation of the 2020/21 budget proposal set out in the other agenda items being considered at the meeting.

Budgets to be Allocated

When setting the 2019/20 budget the Council has agreed to hold some funds for contingencies, and other money that was to be allocated throughout the year. The report proposed the use of some of these budgets to be allocated. These were agreed:

- £499k to Children's Services for supported accommodation for young people leaving care, allowing for price increases for up to 99 placements.

- £805k for waste management to enable the Council to meet the contractual inflationary cost increase of the new Waste Collection and Street Cleaning Contract delivered by 'Biffa Municipal Limited'.

Use of Reserves in 2019/20

The report also addressed the use of the Council's reserves. A new draw-down from reserves had been requested. This was approved.

- All £443K of the New Smithfield Market reserve to help maintain a safe environment due to the deterioration of the buildings, with a phased approach to make the site safe.

Use of an Additional Grant

The report also explained that notification had been received in relation to a specific external grant, the use of which had not confirmed as part of the 2019/20 budget setting process. Approval was given to the use of these funds.

- £48K from a successful Innovate UK bid to support the Urbix Demand Analysis tool, for a fixed-term senior research role to work with external partner (Urbix) on this project.

Decisions

1. To note the report.
2. To approve the use of budgets to be allocated as set out above.
3. To approve the use of reserves as set out above.
4. To approve the use of an additional grant as set out above.

Exe/20/11 Capital Programme Monitoring 2019/20

The Deputy Chief Executive and City Treasurer's report informed us of the revised capital budget 2019/20 to 2024/25 taking account of agreed and proposed additions to the programme, profiling changes, and the latest estimates of forecast spend and resources for the 2019/20 capital programme. The report explained the major variations to forecast spend, and any impact that variations had on the five-year Capital Programme.

The forecast of expenditure for 2019/20 for the Manchester City Council capital programme was £248.9m, compared to a proposed revised budget of £248.0m. Spend up to the end of December 2019 was £130.1m. The forecast for the capital programme on behalf of Greater Manchester was £70.0m. The Greater Manchester spend to the end of December had been £49.5m.

Appended to the report was a schedule of projects within the overall capital programme where the allocations needed to be revised and funding allocations vired between projects. The appendix showed the virement needed for each scheme and

each project. We agreed to recommend to the Council the proposed virements greater than £500,000, as set out in Appendix A to these minutes. The virements of less than £500,000 we approved.

Decisions

1. To recommend that the Council approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix A of these minutes.
2. To approve virements under £0.5m within the capital programme as outlined in Appendix A of these minutes.
3. To note that approvals of movements and transfers to the Manchester City Council capital programme, will reflect a revised total budget of £248.0m and a latest full year forecast of £248.9m. Expenditure to the end of December 2019 is £130.1m.
4. To note that approvals of movements and transfers to Capital Programme on behalf of Greater Manchester, will reflect a revised total budget of £70.0m and a latest full year forecast of £70.0m. Expenditure to the end of December 2019 is £49.5m.
5. To note the budgets approved in February 2020 by Deputy Chief Executive and City Treasurer under delegated powers, as set out in Appendix B of these minutes.

Exe/20/12 Budget Overview - The Council's Financial Strategy

A 2020/21 budget overview had been considered in January (Minute Exe/20/7). A report was presented to this meeting by the Chief Executive and the Deputy Chief Executive and City Treasurer to show how the various components of the proposed 2020/21 budget (including the Medium Term Financial Plan, the Capital Strategy, the Housing Revenue Account) would jointly continue to reflect the priorities identified in the three-year budget strategy 2017-20, and in the Council's Corporate Plan that had been updated to include action required to address the climate emergency declared by the Council. This report explained the progress with implementing the strategy. It also provided a summary of the financial position and the required assessment of the robustness of the proposed budget.

The summary of the proposed budget was:

	2019/20 Original £000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non-ring fenced Grants	54,426	65,752	66,717

Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of other Reserves	12,859	12,859	21,481
Total Resources Available	610,835	622,161	665,100
Resources Required			
Corporate Costs			
Levies / Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
Subtotal Corporate Costs	123,164	133,740	135,032
Directorate Costs			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
Subtotal Directorate Costs	487,671	488,421	530,068
Total Resources Required	610,835	622,161	665,100
Shortfall / (surplus)	0	0	0

The proposals continued to show the ways that the Council was seeking to mitigate the funding gaps that had arisen over the previous years. The Council was continuing to invest more money into adult social care and children's services, both areas that continued to show the most significant budget pressures as demonstrated by the report on the 2019/20 budget (Minute Exe/20/10 above).

The report examined the future funding uncertainties facing the Council. The City Treasurer had examined the major assumptions used within the budget calculations and had carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget, and their mitigation, were identified in the report as being:

Risk	Mitigation
Non Delivery of Savings	A detailed review of social care related savings which were not delivered in 2019/20 and the impact for 2020/21 has been carried out with revised proposals contained within the budget. As outlined above robust monitoring arrangements are in place to enable early corrective action to be taken. Such action in 2019/20 has successfully reduced the overspend position.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding of c£13m in 2020/21 for Social Care and Council resources have been used to provide more funding in these areas based on a reassessment of demand. Funding received in 2019/20 has been smoothed over three years with a reserve to cover future demand.
Volatility of resource base including business rates	As the Council becomes more reliant on locally raised resources and commercial income it is more susceptible to any downturn in the economy. To

	<p>mitigate the risk the majority of the airport dividend is used a year in arrears and a business rates reserve has been established. The position on all these income streams is closely reviewed each month and reported to the Senior Management Team and Executive Members.</p>
<p>Delivery of a balanced budget beyond 2020/21</p>	<p>Longer term scenario planning has started to address the uncertainty beyond 2020/21. In addition, the 2019/20 budget established specific reserves to fund social care over a three-year period, to avoid cliff edges and provide time to plan dependant on the outcome of the national funding changes and BREXIT impact. It is expected that changes to the financial settlement will be supported through transition funding to avoid significant annual reductions.</p>
<p>Impact of Brexit</p>	<p>The potential effects of Brexit on the Council are currently un-quantified but could impact on revenue budgets, capital projects, treasury management and the pension scheme.</p> <p>As the risks associated with BREXIT are so difficult to quantify the approach, in line with a number of local authorities is to build up the level of the business rates reserve and protect the level of the General Fund reserve to help mitigate any adverse impact. More detailed planning and risk assessments for the different scenarios are being carried out within GM and Manchester.</p>
<p>Overspend on significant capital projects</p>	<p>The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability.</p> <p>There are strong governance arrangements underpinning the decision making process, all capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications.</p> <p>The capital programme is monitored monthly, with quarterly reports to Executive. There are specific programme and risk management arrangements in place to assess individual projects and to oversee their completion. The Strategic Capital Board receives monthly updates from each directorate board on each board's part of the capital programme, detailing financial forecasts, risks, and expected outcomes. By reviewing projects regularly, such monitoring can be used to support future actions, including the estimation of future costs and mitigations as necessary.</p>

It was the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account had been identified and that suitable proposals were being put in place to mitigate against those risks where possible. The Council's Budget Monitoring procedures would continue to monitor high level risks and volatile budgets. An assessment of anticipated business rates income had been carried out and provision had been made for outstanding appeals. There was considered to be a prudent provision.

The City Treasurer also considered that the assumptions on which the budget had been proposed, whilst challenging, were manageable within the flexibility allowed by the General Fund balance. That balance, and other reserves that the Council holds could be called on if necessary. The City Treasurer was therefore confident that overall the budget position of the Council could be sustained within the overall level of resources available. However, there would be a need for further savings to be identified if the planned budget savings were not achieved in a timely manner, and reserves were called on to achieve a balanced position.

The General Fund balance was held to meet costs arising from any unplanned event. It also acted as a financial buffer to help mitigate against financial risks and could be used to smooth-out expenditure across years. It was estimated that the balance on 1 April 2020 would be £21.4m. That was considered to be prudent given the level of volatility in Council funding as business rates and general uncertainty over the future levels of funding available. The expected level of the General Reserve was therefore considered to be the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy.

Decision

To note the report.

Exe/20/13 Medium Term Financial Plan

The report of the Chief Executive and City Treasurer set out the revenue budget proposals for 2020/21 based on the outcome of the Provisional Local Government Finance Settlement and the issues which needed to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2020/21.

In March 2019, as part of setting the 2019/20 budget, it had been anticipated that there would be a government spending review in 2019/20 and that the local government finance would then return to a three-year budget cycle starting in 2020/21. That had not happened, and the announcements for 2020/21 funding levels had again been for one year only, therefore the proposed budget was for 2020/21 only. The report outlined the key changes in funding that had been part of the government's funding announcements. New budget pressures had arisen, revised savings and cost recovery proposals had been developed, and further sources of money had been identified or grants provided. The total saving and efficiencies target being proposed for 2020/21 was £7.5m. The 2020/21 budget now being put forward

had a total funding requirement of £665.1m, compared to the original 2019/20 budget requirement of £610.835m. The comparison of the two proposals being:

Table 1 - Comparison of Budgets	2019/20 Original £0000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available:			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non ring fenced Grants	54,426	65,752	66,717
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of Other Reserves	12,859	12,859	21,481
Total Resources Available	610,835	622,161	665,100
Resources Required:			
Corporate Costs:			
Levies and Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
Sub-Total Corporate Costs	123,164	133,740	135,032
Directorate Costs:			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
Sub - Total Directorate Costs	487,671	488,421	530,068
Total Resources Required	610,835	622,161	665,100
Shortfall / (surplus)	0	0	0

This budget was based on the assumption that the Council's element of Council Tax would increase by 1.99% along with a further 2% specifically for adult social care. When the Greater Manchester Council Tax precept increases were added to the Council's own the total increase for Manchester's Council Tax Payers was anticipated as being 4.78%.

The assumption for the council tax collection rate was 96.5%. This was based on historic trends in collection as council tax due in the current year will continue to be collected over a number of years.

The report explained that the Government issued a written ministerial statement detailing new business rates reliefs for 2020/21. That had increased retail relief from 33% to 50% and included an extension of the relief to music venues and cinemas, as well as the continuation of pub and local newspaper relief. The additional relief was forecast to be £3.02m and would be reimbursed by Section 31 grant from the government.

The report provided a breakdown of the other non-ringfenced grants and contributions included in the budget and the issues around the most significant grants and contributions were described.

Table 2 - Other Non-Ringfenced Grants and Contributions	2020/21 £000
Better Care Fund (Improved)	30,815
Children's and Adult's Social Care Grant	17,564
New Homes Bonus	8,864
Contribution from MHCC	4,000
Education Services Grant	1,260
Housing Benefit Admin Subsidy	2,514
Council Tax Support Admin Subsidy	863
Care Act Grants	162
Business Rates Returned Levy	675
Total Non Ring-Fenced Grants	66,717

The report then considered the expenditure proposals. The forecast of levy payments the Council would have to make to other authorities in 2020/21 was:

Table 3 - Levies	2020/21 £000
Transport Levy	37,476
GMCA Waste Services	30,051
Environment Agency	224
Probation (Residual Debt)	15
Magistrates Court (Residual Debt)	9
Port Health Authority	71
Net Cost of Levies	67,846
Potential Payment to GMCA	3,481
Total	71,327

Although included within the table of levies, the Waste Levy was administered by the Neighbourhoods Directorate and would be included within the Directorate's budget.

It was explained that the potential payment to GMCA related to the bus reform proposals that were under consideration at this time (Minute Exe/19/101). The financial case for the bus reform proposals included a full assessment of how the GMCA could afford to make and operate the proposed scheme. The Council's potential share of the local authority element of the overall support package had been assessed as £3.481m.

A proposed contingency provision of £0.86m included £0.26m in relation to risks around the waste levy and collection and £0.6m as an unallocated contingency to meet future unforeseen expenses.

The proposed Insurance costs of £2.004m related to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

The capital financing budget of £44.507m would support the costs of borrowing including interest costs and the minimum revenue provision, plus contributions to the capital financing reserve for revenue funding of the programme. Of this £25.114m

would be funded by interest received on loans made by the Council to Manchester Airport Group and other partner organisations.

Specific transfers to reserves of £18.338m in 2020/21 were being proposed, and those were listed in the report.

Allowances of £9.58m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £10.271m, broken down into:

Table 4 - Inflationary pressures and budgets to be allocated	2020/21 £000
Non Pay Inflation	2,361
Pay Inflation including national living wage	6,520
Pension Contribution reduction	-800
Apprenticeship Levy 0.5%	900
Capacity for further budget pressures (including domestic violence)	1,000
Digital City work	250
Contribution to Cemeteries Reserve	40
Total	10,271

The allocation relating to the pooled budget had been included within Adult Social Care cash-limit budget as follows:

Table 5 - Inflationary pressures and budgets to be allocated in the Pooled Budget	2020/21 £000
National Living Wage	4,400
Pay inflation	1,530
Non-pay inflation	2,413

The proposals for the Directorates' cash limit budgets were detailed in the Directorate Budgets 2020/21 reports that were also being considered at the meeting (Minute Exe/20/16 below). The overall position was:

Table 6 – Departmental Cash Limit Budgets	Gross 2020/21 £000	Net 2020/21 £000
Children's Services	464,099	130,320
MHCC Pooled Budget	267,787	216,864
Adult Social Care - Services out of scope of Pooled Budget	7,243	4,389
Homelessness	36,459	15,285
Corporate Core	310,196	69,960
Neighbourhood Directorate	164,204	63,751

Table 6 – Departmental Cash Limit Budgets	Gross 2020/21 £000	Net 2020/21 £000
Growth and Development	55,314	7,644
Total	1,305,302	508,213

The figures in the table for the Neighbourhood Directorate do not include the waste levy of £30.051m as that is shown above in Table 3 above.

The report explained that the Council holds a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held had been carried out as part of the budget setting process. The reserves include:

- Reserves that have been identified to directly support the proposed budget position
- Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to offset risk and manage volatility – such as the Insurance Fund Reserve, and reserves to smooth volatility in for example adult social care placements due to winter pressures
- Schools reserves – schools funding which the Council cannot utilise
- Reserves held to support capital schemes
- Reserves to support economic growth and public sector reform
- Grants and contributions which fall across more than one year – following local authority accounting standards these are held in a reserve

The report set out the planned use of reserves in 2020/21 to support revenue expenditure. It also explained the statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves could only be used to fund certain types of highway and environmental improvements, and provided there was no requirement for the Council to provide additional off street parking or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2020 was £16.965m. It was estimated that £9.951m would be added to these reserves during 2020/21 and £9.579m used. The reserves were to be used in accordance with the requirements to fund spending in the Neighbourhoods Directorate as well as part of the transport levy.

The total planned use of reserves was:

Table 7 - Use of Reserves	2020/21 £'000
Reserves directly supporting the revenue budget:	
Budget smoothing reserve	7,066
Bus Lane (supporting Transport Levy)	3,092
Social Care Investment Reserve	7,135
Adult Social Care	2,150
Anti Social Behaviour Team Reserve	540
Business Rates Reserve	1,165

Table 7 - Use of Reserves	2020/21 £'000
Transformation Reserve	333
Sub Total	21,481
Statutory Reserves:	
Bus Lane Enforcement and Parking reserves	6,487
Other Statutory Reserves	436
Balances Held for PFI's	375
Social Care Reserves :	
Adult Social Care Reserve	3,395
Reserves held to smooth risk / assurance:	
Airport Dividend Reserve	47,080
Business Rates Reserve	2,000
Other Reserves held to smooth risk / assurance	3,139
Reserves held to support capital schemes:	
Capital Fund	10,366
Investment Reserve	2,325
Eastlands Reserve	5,682
Other reserves held to support capital schemes	1,061
Reserves held to support growth and reform:	
Better Care Reserve	1,273
Town Hall Reserve	3,185
Our Manchester Reserve	2,556
Other Reserves to support growth and reform	1,332
Grants and Contributions used to meet commitments over more than one year	2,048
Small Specific Reserves	982
Total	115,203

The planned uses of the Social Care Investment Reserve and the Adult Social Care were detailed in the report.

The Anti-Social Behaviour Team Reserve had arisen from budget amendments considered and approved by the Council in March 2019 (Minute CC/19/18).

It was explained that to maintain annual funding of £1.5m to support the Factory/Manchester International Festival it was being proposed that £0.5m be retained in the mainstream budget with the remaining requirement being held in a reserve to cover ten years. This reserve would be increased to the required balance using Council Tax surpluses and Business Rates surpluses. Authority was therefore sought and granted for the Chief Executive and the City Solicitor, in consultation with the Executive Members for Finance and Human Resources and Culture, to enter into a 10 year grant agreement with Manchester International Festival that would be subject to on-going confirmation of the corresponding funding from Arts Council England.

The workforce implications of the budget proposals were outlined in the report. The proposals above will require the deletion of 16.4 FTE posts which would be achieved by the deletion of vacant positions. The detailed proposals were set out within the

Corporate Core directorate report that was also being considered at the meeting (Minute Exe/20/16 below).

Decisions

1. To note that the financial position has been based on the Final Local Government Finance Settlement announced on 6 February together with any further announcements at that date.
2. To note that there has been a review of how the resources available are utilised to support the financial position to best effect, including use of reserves and dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants.
3. To note the anticipated financial position for the Authority for the period of 2019/20 to 2020/21 which was based on all proposals being agreed.
4. To note that the Capital Strategy and Budget 2019/20 to 2023/24 was also presented to this meeting (Minute Exe/20/14 below).
5. To note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves as set out in the Budget Overview (Minute Exe/20/12 above).
6. To recommend to Council as part of the budget for 2020/21:
 - a) an increase in the basic amount of Council Tax (i.e. the Council's element of Council Tax) by 1.99%. The Council has consulted on the 2% Adult Social Care precept increase. If agreed, it is proposed to prioritise this resource to support adults with learning disabilities to help meet the increased need and complexity of residents;
 - b) the contingency sum of £0.860m;
 - c) corporate budget requirements to cover levies/charges of £71.327m, capital financing costs of £44.507m, additional allowances and other pension costs of £9.580m and insurance costs of £2.004m;
 - d) the inflationary pressures and budgets to be allocated sum of £10.271m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources. The Manchester Health and Care Commissioner (MHCC) elements of these costs have already been included in the Pooled Budget. The use of these budgets will be agreed with the MLCO Partnership Board, which has representation from all key partners, along with identifying whether any more formal approvals are required in line with the Council's key decision thresholds.

- e) the estimated utilisation of £9.579m in 2020/21 of the surplus from the on street parking and bus lane enforcement reserves, after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and
 - f) the planned use of, and movement in, reserves as identified in the report, subject to the final call on reserves after any changes are required to account for final levies.
7. To recommend that Council approve and adopt the budget for 2020/21.
 8. To delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve in consultation with the Executive Members for Finance and Human Resources and Adult, Health and Wellbeing.
 9. To delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Social Care Reserve in consultation with Executive Members for Finance and Human Resources and Children's Services.
 10. To authorise the Chief Executive and the City Solicitor, in consultation with the Executive Members for Finance and Human Resources and Culture, to agree the detailed terms of a 10 year grant agreement with Manchester International Festival (MIF), subject to confirmation of funding from Arts Council England (ACE) and having entered into a funding agreement with ACE.
 11. To approve the gross and net directorate cash limits as set out in Table 6 above.
 12. To approve the in principle contribution to the MHCC Section 75 (S75) Pooled Budget subject to the approval of the S75 Agreement.
 13. To delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments.
 14. To note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices.
 15. To approve implementation of new business rate reliefs in 2020/21 as announced by Government, which will increase the retail relief offering, extending it to music venues and cinemas, as well as, the continuation of pub and local newspaper relief.

Exe/20/14 Capital Strategy and Budget 2019/20 to 2023/24

Consideration was given to the report submitted by the City Treasurer. The report presented the capital budget proposals before their submission to the Council.

The capital programme 2020/21 to 2023/24 comprised the continuation of the existing programme. For continuing schemes, the position was based on that set out in the Capital Programme Monitoring 2019/20 also being considered at this meeting (Minute Exe/20/11 above).

Also included were those future projects which were considered likely to be brought forward, subject to the submission of a successful business case. For any project seeking capital expenditure approval a business case must be drafted, covering:

- how the project links to the City Council's strategic priorities, social value, and any statutory requirements;
- what economic value the project will provide to the City, including social value;
- funding model, with evidence of cost and capital and revenue implications;
- timescale for delivery and identification of risks to the project, including legal issues; and
- what the project will achieve, and the benefits that will be realised.

Details on the projects within the programme were set out in the report and the full list of the proposed projects was appended to the report.

If agreed, then the proposals contained in the report would create a capital programme of £378.4m in 2020/21, £288.8m in 2021/22, and £208.3m in 2022/23. The proposed funding for the programme was:

	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	Total £m
Grant	46.5	71.4	41.6	43.4	0.0	202.9
External Contribution	24.9	25.2	4.6	0.0	0.0	54.7
Capital Receipts	18.7	28.8	13.8	3.2	8.0	72.5
Revenue Contribution	26.0	52.6	31.0	28.4	0.0	138.0
Borrowing	131.9	200.4	197.8	133.3	47.3	710.7
Total	248.0	378.4	288.8	208.3	55.3	1,178.8

The revenue budget proposals set out in the report on the Medium Term Financial Plan 2020/21 included provision to finance this level of borrowing.

The report explained that a number of schemes which had been developed and were ready for inclusion in the capital programme. The funding and planned expenditure of each was set out in the report's appendix. Such schemes that were within the powers of the Executive to approve being

Department	Project	Source of funding	Budget £000
Highway Services	Maintenance Challenge Fund	Government Grant	1,075

Department	Project	Source of funding	Budget £000
Highway Services	Deansgate Streets for All Development Costs	Borrowing	275
Highway Services	Highways Investment Programme	Borrowing	-275
Highway Services	Auto Bollard Replacement and Improvement	Parking Reserve	608
Children's	Basic Need Unallocated	Government Grant	4,408
Corporate Services	VCSE Small Premises Works	Capital Fund	1,000

Decisions

1. To commend the report to the Council
2. To approve the projects for Executive approval as set out above.
3. To note the capital strategy.
4. To delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2019/20 to 2023/24 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

Exe/20/15 Council Business Plan 2020/21

A report from the Chief Executive presented the Council Business Plan for 2020/21. A copy of the plan was appended to the report. This plan was to replace the individual directorate business plans that had been produced in previous years. This plan was structured around the eight priority themes and had been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively made up the Council. The eight priority themes were:

- Zero carbon Manchester
- Young People
- Healthy, cared-for people
- Housing
- Neighbourhoods
- Connections
- Growth that benefits everyone
- Well-managed Council

And full details for each of these was set out in the report's appendix.

Decision

To approve the Council Business Plan for 2020/21.

Exe/20/16 Directorate Budgets 2020/21

A suite of reports prepared by the Strategic Directors of the Council presented the details budgets, investment and savings plans for 2020/21 for the seven areas of the Council's services, being:

- Children and Education Services Budget 2020/21
- Adult Social Care and Population Health Budget 2020/21
- Manchester Health and Care Commissioning Budget 2020/21
- Homelessness Budget 2020/21
- Neighbourhoods Directorate Budget 2020/21
- Growth and Development Budget 2020/21
- Corporate Core Budget 2020/21

Each of the reports set out the breakdown of the directorate's cash limited budget into the specific service areas within the directorate. It also described the efficiencies planned for 2020/21 and how the directorate would manage its budget pressures.

Each of these directorate-level financial plans had been scrutinised by the Council's scrutiny committees at their most recent meetings and the views of the committees were considered and noted (Minutes RGSC/20/07, HSC/20/07, CYP/20/11, NES/20/11, ESC/20/09 and CESC/20/10).

Decision

To note the reports.

Exe/20/17 Dedicated Schools Grant - School Budgets 2020/21

Dedicated School Grant (DSG) is a ring fenced grant of which the majority is used to fund individual schools' budgets in maintained schools and academies in the city, early-years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

A report submitted by the Strategic Director for Children and Education Services explained how the allocated DSG was distributed across the schools and supported establishments in Manchester.

The report explained that for 2020/21 the DSG would be made up of four blocks: schools block, early years block, high needs block and central services schools block. It was reported that Manchester was to receive a total DSG of £560.304m. The overall increase in grant compared to 2019/20 was £29.536m. The biggest change in the grant was due to 1.84% per pupil related increase in part of the grant that supports primary and secondary schools, and the £11.994m uplift in the high needs block.

The breakdown of the DSG in 2020/21, compared to 2019/20 would be:

Block	2019/20 £m	2020/21 £m	Change £m
Schools	409.073	425.944	16.871
Central School Services	3.658	3.661	0.003
High Needs	76.924	88.918	11.994
Early Years	41.113	41.781	0.668
Total	530.768	560.304	29.536

Decision

To note the report.

Exe/20/18 Housing Revenue Account 2020/21 to 2022/23

(Councillor Midgley declared a disclosable pecuniary interest in this item and withdrew from the meeting while it was considered).

A report by the Strategic Director (Development) and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2020/21 and indicative budgets for 2021/22 and 2022/23.

The report set out the requirements placed on the Council with respect to the HRA budget:

- the Council had to formulate proposals for income and expenditure for the financial year which sought to ensure that the HRA would not show a deficit balance;
- to keep a HRA in accordance with proper practice to ensure that the HRA is in balance taking one year with another; and
- the HRA must, in general, balance on a year-to-year basis so that the costs of running the Housing Service must be met from HRA income.

Under a variety of arrangements, the Council owns and manages just under 16,000 properties within the HRA. The arrangements included three PFI schemes and the stock managed by either Northwards Housing or other Registered Social Landlords. During 2019/20 the Council was anticipating selling around 193 properties under the Right to Buy scheme.

Included in the report was the forecast for the HRA in 2019/20 to have an in-year surplus of £3.029m, compared to a budgeted deficit of £10.147m, and the main reasons for that change were explained in the report.

Following the four years of then annual 1% per cent rent reduction, the Government had agreed that rent policy for five years commencing in 2020/21 was able to revert to the Consumer Prices Index rate of inflation +1%, and that increase had been included within the proposed budget for 2020/21. For the approximately 1,000 properties where formula rent had not yet been achieved, the rent would be increased to formula rent when that property was next re-let.

Gas for the communal heating systems was sourced as part of the City Council's overall gas contract. The existing wholesale gas contract expired shortly, and latest prices indicated that the current wholesale gas price would reduce by 7% with effect from April 2020. Therefore, in order to ensure that the costs of gas used were recovered through the tariffs charged for tenants and residents on a scheme-by-scheme basis, it would be necessary to reduce the current heating charges by between 0% and 36%. Appended to the report was a complete schedule of proposed heating tariffs for pay by rent and pay by prepayment card, showing the percentage change for 2020/21. All but one of the schemes would see a reduction in fuel costs in 2020/21.

The report proposed that the Northwards management fee for 2020/21 be increased to reflect the costs of pay awards in 2020/21. That would equate to a rise of 1.55% or £315,000 in 2020/21.

In order to ensure that the increase applied to garage rents remained in line with that applied to dwelling rents, it was proposed that 2020/21 garage rents be increased by 2.7%, which would see an increase in the rental of between 5p and 13p per week.

Due to the continued roll out of Universal Credit and the anticipated impact on residents the business plan had made prudent provision for an increased contribution towards the provision for bad debts. There remained a risk that the further roll out of Universal Credit could impact on rent collection rates in later years. Therefore, the 2020/21 contribution to the bad debt provision was to remain at the 2019/20 actual rate of 1%. It would then be increased annually by 0.5% from 2021/22 until 2023/24 at which point it will peak at 2.5%. It was then planned to reduce by 0.5% per year until staying at 1.5% for the remainder of the plan.

The report also explained the other key changes in the HRA budget for 2020/21, and the full budget was presented as set out below.

	2019/20 (Forecast) £000	2020/21 £000	2021/22 £000	2022/23 £000
Income				
Housing Rents	-59,775	-60,881	-62,030	-63,497
Heating Income	-754	-600	-612	-625
PFI Credit	-23,586	-23,374	-23,374	-23,374
Other Income	-1,164	-1,281	-1,203	-1,069
Funding from General HRA Reserve	3,029	-18,441	-14,016	-14,068
Total Income	-82,250	-104,577	-101,235	-102,633
Expenditure				
Northwards R&M & Management Fee	20,379	20,694	20,984	21,455
PFI Contractor Payments	31,824	36,296	32,599	31,639
Communal Heating	858	584	595	607
Supervision and Management	5,020	5,223	5,291	5,360
Contribution to Bad Debts	504	613	937	1,279
Depreciation	17,279	17,378	17,517	17,785

	2019/20 (Forecast) £000	2020/21 £000	2021/22 £000	2022/23 £000
Other Expenditure	1,295	1,169	1,189	1,016
RCCO	2,287	19,841	19,360	20,762
Interest Payable and similar charges	2,804	2,779	2,763	2,730
Total Expenditure	82,250	104,577	101,235	102,633
Total Reserves:				
Opening Balance	-107,365	-110,394	-91,953	-77,937
Funding (from)/to Revenue	-3,029	18,441	14,016	14,068
Closing Balance	-110,394	-91,953	-77,937	-63,869

Decisions

1. To note the forecast 2019/20 HRA outturn as being a surplus of £3.029m.
2. To approve the 2020/21 HRA budget and to note the indicative budgets for 2021/22 and 2022/23.
3. To approve the proposed 2.7% increase to dwelling rents, and delegate authority for the setting of individual property rents to the Director of Housing and Residential Growth in consultation with the Deputy Chief Executive and City Treasurer and the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.
4. To approve that where the 2020/21 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.
5. To approve the proposed 2020/21 changes for communal heating charges as outlined above and set out in detail in the report's appendix 2.
6. To approve the proposed increase in the 2020/21 Northwards management fee as set out above.
7. To approve the proposed increase in garage rental charges as described above.

Exe/20/19 Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2020/21

The Council's Treasury Management policy complies with the revised CIPFA Code of Practice on Treasury Management. The Council adopted this in March 2010.

The Local Government Act 2003 and supporting regulations require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The proposed strategy for 2020/21 was based upon the views of Treasury officers on interest rates, informed by leading market forecasts. The Strategy covered:

- Prudential and Treasury Indicators
- Minimum Revenue Provision Strategy
- Treasury Management Policy Statement
- Treasury Management Scheme of Delegation
- Borrowing Requirement
- Borrowing Strategy
- Annual Investment Strategy

We noted the proposed Annual Investment and Borrowing Strategies set out in the report, and agreed to commend them to the Council.

Decisions

1. To commend the report to Council.
2. To delegate authority to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, to approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget, and submit those changes to Council.

Exe/20/20 Budget 2020/21 Public Consultation Outcomes

A report from the Deputy Chief Executive and City Treasurer and the Head of Strategic Communications provided a summary of the results of the budget consultation on the draft budget proposals for 2020/21, as well as a summary of the responses received. The report described how the consultation had been undertaken between December 2019 and early February 2020. A questionnaire had been used to gather the views of residents and 200 responses had been received. The report set out in detail the responses to each of the questions asked on the questionnaire.

Decision

To note the report.

Exe/20/21 Budget 2020/21 Equality Impact Assessment

A report from the Deputy Chief Executive and City Treasurer reviewed a selection of the Equality Impact Assessments (EIAs) produced in support of the Council's business planning process for 2019/2020. The report outlined the context of why the Council undertook EIAs and some of the key themes emerging from the business priority-related analyses produced in the last year.

The report also described changes to the Council's approach to business planning for 2020-21, the implications for how equality impacts were to be considered within the plan, and how the process of producing EIAs was to be managed moving forwards.

As the Council's financial settlement for 2020-21 was, in a the main, a roll-over of the 2019/20 settlement, the report did not relate to any new budget-related consultations with EIAs attached.

Decision

To note the report.

Appendix A - Proposed Capital Virements

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)				-1,070
Total Private Sector Housing Programme	0	0	0	-1,070
Charlestown - Victoria Ave multistorey window replacement and ECW			345	
External cyclical works phase 3a	-7	-15		
Renewal of 4 automatic pedestrian gates at Victoria Square	-45			
External cyclical works Harpurhey - Jolly Miller Estate		-82		
External cyclical works Ancoats Smithfields estate	47	25		
External cyclical works Cheetham Appleford estate			2	
External cyclical works Higher Blackley South	-22	-29		
External cyclical works New Moston (excl corrolites)		-29		
Environmental improvements Moston corrolites	8	21		
Charlestown - Victoria Ave multistorey replacement door entry systems		-18		
ENW distribution network phase 4 (various)	-160	5		
Newton Heath - Croyden Drive Security Improvements	-100	-88		
Delivery Costs		-55		
2/4 Blocks Heating replacement with Individual Boilers		-7		
Ancoats - Victoria Square lift replacement	54			
Boiler replacement programme	-13	-6		
Kitchen and Bathrooms programme	-265	-924		
Newton Heath - Multies Internal Works	200	3,153	250	
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works		47		

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Fire precautions multi storey blocks	-341	-885		
Installations of sprinkler systems - multi storey blocks	-458	-623		
Multi Storey blocks door entry system renewal Sandyhill/Bradford Crts	-5	-31		
Fire Risk Assessments	-760			
Delivery Costs	156	367	404	
Bringing Studio Apartments back in use		-8		
Various Locations - bringing bedsits back into use			8	
Delivery Costs		-1		
Delivery Costs		-19		
Northwards Acquisitions		-3		
Stock Acquisitions		-28		
Delivery Costs		-4		
Northwards Housing Programme	1,711	-763	-1,009	
Collyhurst Estate Regeneration	-100		-9,580	
North Manchester New Builds 2		-7,850		
Collyhurst	100	7,850	9,580	1,070
Total Public Sector Housing (HRA) Programme	0	0	0	1,070
Plymouth Grove Refurbishment	-5			
Beaver Rd Primary Expansion	-19			
Lily Lane Primary	-19			
St. James Primary Academy	-26			
Webster Primary Schools	-19			
Basic need - unallocated funds	88			
Universal Infant Free School Meals (UIFSM) - Allocated	266			
Universal Infant Free School Meals (UIFSM) - Unallocated	-266			
Crowcroft Park PS-Rewire	-2			
Broad Oak Primary School Kitchen		146		
All Saints Prim Rewire	-58			
Armitage Prim Windows	-20			
Bowker Vale Prim Heating	5			
Buton Lane Prim Roof	-9			
Cheetwood Prim Heating	16			
Crosslee Comm Heating	1			
Crowcroft Park Roof Repairs	-26			
Higher Openshaw Rewire	-76			
Moston Fields Joinery	-37			

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Ringway Prim Roof	-56			
Sandilands Prim Windows	-17			
St Mary's Junior Windows	-9			
Ringway Primary School	10			
Schools Capital Maintenance - unallocated	278	-146		
Total Children's Services Programme	0	0	0	0
Core Infrastructure Refresh	-26			
Care Leavers Service	-14			
Replacement Coroners System	-60			
ICT Investment Plan	100			
Total ICT Programme	0	0	0	0
Total Manchester City Council Capital Programme	0	0	0	0

Appendix B – Capital Approvals under authority delegated to the Deputy Chief Executive and City Treasurer

Dept	Scheme	Funding	2019/20 £'000	2020/21 £'000	Total £'000
Highways Services	Great Ancoats Improvement Works	External Contribution		231	231
Public Sector Housing	Chimebank S106	External Contribution	34		34
Totals			34	231	265

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**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee – 24 February 2020

Subject: Details of proposed Budget Amendments

Report of: The City Solicitor

Summary

This report provides details of amendments to the Executive's budget proposals that have been submitted in accordance with Paragraph 18.3 of the Council's Rule of Procedure.

Recommendations

The Committee is requested to give consideration to the proposed budget amendments and, if appropriate, make recommendations to the Council.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

Not applicable

Alignment to the Our Manchester Strategy Outcomes (if applicable)

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Not applicable
A highly skilled city: world class and home grown talent sustaining the city's economic success	Not applicable
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Not applicable
A liveable and low carbon city: a destination of choice to live, visit, work	Not applicable
A connected city: world class infrastructure and connectivity to drive growth	Not applicable

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Background documents (available for public inspection):

None

1. Background

- 1.1 In accordance with Council Rule of Procedure 18.3, when the Executive makes recommendations to the Council in relation to calculating the budget requirement and setting the Council tax, any amendments to those recommendations which affect those calculations or the level of Council Tax must be submitted in writing and received by the Chief Executive by 4.00 p.m. on the seventh day after the meeting of the Executive (this being Wednesday 19 February 2020).
- 1.2 Any such amendment, together with the recommendations of the Executive, is to be referred to the Resources and Governance Scrutiny Committee which will report to the Council meeting in March at which the Council calculates the budget and sets the Council Tax ("the Budget Council").
- 1.3 In doing so, nothing in Rule 18.3 will prevent Members moving amendments at Budget Council in accordance with Rule 18.1 (amendments to be moved at Council must be in writing and be received by the Chief Executive at least 30 minutes before the meeting) or the Executive reconvening and revising their recommendations to Budget Council.
- 1.4 Where such amendments or revised recommendations arise out of the proceedings of the Resources and Governance Scrutiny Committee, nor will anything in Rule 18.3 require a further meeting of the Resources and Governance Scrutiny Committee in such circumstances.

2. Details of Amendments received

2.1 **Amendment (1) proposed by Councillor Greg Stanton, seconded by Councillor Richard Kilpatrick**

To allocate a budget of £960,000 phased equally over three years to enable the Council to make available a £10,000pa Green Neighbourhood Investment Fund in each of the 32 wards, encouraging our neighbourhoods to participate in carbon reduction on a community-led basis shaped by the priorities of the Manchester Climate Change Action Plan; to be funded out of the proposed £2.079m contribution to the Business Rates Reserve for 2020/21.

Received Friday 14 February at 15:47.

2.2 **Amendment (2) proposed by Councillor Richard Kilpatrick, seconded by Councillor Greg Stanton**

To allocate a budget of £960,000 phased equally over three years to enable the Council to deliver a programme of target hardening (including further alleygating) in areas of benefit; to be funded out of the proposed £2.079m contribution to the Business Rates Reserve for 2020/21.

To allocate a budget of £1.5m to enable the Council to deliver road safety and traffic calming schemes in areas of need; to be funded through transfer from the On-street Parking Reserve.

Received Friday 14 February at 15:47.

2.3 Amendment (3) proposed by Councillor John Leech, seconded by Councillor Richard Kilpatrick.

To establish a three-year budget totalling £600,000 to at least double 24-hour toilet provision in the City Centre, lessening the impact of any Public Space Protection Order on our homeless population; funded through a release of reserves.

Received Monday 17 February at 10:06

2.4 Amendment (4) proposed by Councillor John Flanagan, seconded by Councillor Johns

To set up a one-off fund for £250,000 to be called the Spring Challenge Fund.

Received Monday 17 February at 11:06

3. Recommendations

3.1 The recommendations are set out at the front of this report.

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 24 February 2020

Subject: Our Town Hall Project – Notice to Proceed into Construction

Report of: Deputy Chief Executive and City Treasurer

Summary

Previous reports to the Executive Committee and Resources and Governance Scrutiny Committee have provided regular progress reports on the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project. This report provides Members with an update on the progress with the project to date, at the point at which the project is ready to issue a Notice to Proceed into the main construction phase of the Works.

Recommendations

Resources and Governance Scrutiny Committee is recommended to note:

1. On the basis of the Tranche 1 Works Packages procured to date (60% by value), and the level of design readiness to procure the balancing Tranche 2 (40%) packages, the project is suitably advanced for the Council to Commit to Construct, noting the arrangements that are in place to manage the risk of cost and programme overrun in the Tranche 2 Works Packages.
 2. A date for Completion of 22 December 2023 has been agreed with the Management Contractor.
 3. The project cost plan (for Construction) is reported in Part B to this report.
 4. Subject to approval of the Deputy Chief Executive and City Treasurer in consultation with the Deputy Leader and the Executive Member for Finance and Human Resources to these terms, a Notice to Proceed will be issued to the Management Contractor (Lendlease) and construction will commence on site in March 2020.
-

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

Our Town Hall will significantly increase its energy efficiency through the refurbishment process.
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Carbon emissions per person will be reduced through increasing the efficiency of the building services and increasing the use of the building. The operational phase of the project is predicted to emit between 20,223 and 22,303 T CO₂e between 2024 and 2038. The carbon emissions per person are reduced between 17% and 24% when compared to pre-refurbishment CO₂ emissions, and the energy consumption per head is reduced by up to 43%.

The construction phase of the project is forecast to emit 402 tonnes of CO₂. This number is significantly lower than a typical construction project of this scale, through the procurement of renewable electricity for the construction period and limiting the use of diesel powered equipment.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Manchester Town Hall refurbishment will provide the opportunity for a significant increase in employment within the building, and has stretching Social Value KPIs as a key deliverable.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The refurbishment will provide new opportunities for young people and graduates, including apprenticeships and work placements.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	<p>The refurbishment will increase the productivity and the efficiency of Council staff and support the development of an equitable city, taking advantage of new opportunities offered by devolution.</p> <p>There is also the opportunity through the co-location of public and private uses and new modern meetings rooms to promote collaboration and networking to strengthen the collaboration between organisations, businesses and residents, including the community and voluntary sector.</p>
A liveable and low carbon city: a destination of choice to live, visit, work	The refurbishment will contribute to sustainable economic growth by retaining employment within a central location. It will significantly enhance the Town Hall's energy efficiency and enable the incorporation of sustainable design features.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A connected city: world class infrastructure and connectivity to drive growth	The refurbishment will retain and improve public uses within an accessible city centre location, connected to residents and visitors by the City's expanding public transport network. The work will reinforce the City's role as the centre of public and private sector networks and meetings in the north, with connections through the Airport to support international events.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Report to Executive Committee – Town Hall Complex Strategy – 23 July 2008
- Report to Executive Committee – Town Hall Complex Programme – Transforming Customer Experience – 11 February 2009
- Report to Executive Committee – Town Hall and Albert Square Maintenance Programme – 1 October 2014
- Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: 'Our Town Hall' – 27 July 2016
- Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: 'Our Town Hall' – 16 November 2016
- Report to Executive Committee – Capital Programme (Budget 2017/18 – 2021/22) – 11 January 2017 and 8 February 2017

- Report to Executive Committee – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 8 March 2017
- Report to Resources and Governance Scrutiny Committee – Our Town Hall Social Value and Communications – 22 June 2017
- Report to Resources and Governance Scrutiny Committee – ‘Our Town Hall’ – 7 September 2017
- Report to Executive Committee – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 13 September 2017
- Report to Resources and Governance Scrutiny Committee – Manchester Town Hall and Albert Square ‘Our Town Hall’ – 9 November 2017
- Report to Resources and Governance Scrutiny Committee - Manchester Town Hall and Albert Square ‘Our Town Hall’ – 1 February 2018
- Report to Resources and Governance Scrutiny Committee Ethical Procurement Sub Group – 22 February 2018
- Report to Resources and Governance Scrutiny Committee – Our Town Hall Project – Budget Position Update – 24 May 2018
- Report to Ethical Procurement and Contract Monitoring Sub Group - 7 June 2018
- Report to Council – 11 July 2018 – ‘Our Town Hall update’
- Report to Resources and Governance Scrutiny Committee- 06 September 2018 - ‘Management Contractor Procurement.’
- Report to Report to Resources and Governance Scrutiny Committee – 06 December 2018 – ‘Letting of the Management Contract’
- Report to Executive Committee – 12 December 2018 – ‘Management Contractor Appointment’
- Report to Ethical Procurement and Contract Monitoring Sub Group – 31 July 2019
- Report to Ethical Procurement and Contract Monitoring Sub Group – 04 October 2019

1.0 Summary

- 1.1 This report covers the progress to date with the Our Town Hall (OTH) project, and concludes that the project is sufficiently advanced for the Council to issue a Notice to Proceed (NTP) into the main construction works, which will commence on site March 2020.
- 1.2 The report describes the status of the project at the date of NTP, and the governance and procedures that are in place to manage the project through the construction period and into project completion.
- 1.3 The Council has engaged Lendlease as its Management Contractor to manage the project, procure the works, advise on risk and to contract with works package contractors who have the primary responsibility for undertaking the works. The Management Contractor is to assume the financial and contractual burden associated with administering the works packages, but would not undertake any of the construction works itself. The Management Contractor was to be paid a fee for its services (split between the pre-construction period and the construction period) and be reimbursed the cost of its preliminaries and overheads.
- 1.4 The contract with the Management Contractor requires that before the Council issues the NTP it has to satisfy itself that a number of key documents and dates have been agreed with the management contractor, including the supplemental particulars, project cost plan, date of completion, and the preliminaries cost schedule. These documents are now agreed, and as such the project is ready to progress into the construction period.
- 1.5 The Council's Internal Audit team has reviewed the procurement process in the run-in to NTP and has stated that:

'We are satisfied that a transparent and robust process has been applied to secure the completion of RIBA stage 4, including the completion of designs, letting of work packages, development of the Project Cost Plan, defining the project plan, and agreement on the preliminaries.'

- 1.6 The following should be noted:
- The budget will become more defined by Notice to Proceed and as the various works packages are procured. However, the Council will not have cost certainty until the final account is agreed under the Management Contract.
 - The appetite within the insurance market to cover construction risk, particularly heritage buildings, has reduced significantly in the wake of recent fires, most notably at Notre Dame in Paris last year. Over the last 12 months, the team has worked hard with insurers to prove the approach to the management of construction risk and secure insurance cover. At the time of writing this report, a range of insurers have committed to provide 100% cover for the various insurable risks with

some aspects of final terms and the formal placement of cover to be finalised. It is possible that the final terms of the insurance policies will require amendments to the Management Contract. Finalisation and formalisation of arrangements are scheduled to complete by the end of February but if this is delayed for any reason there is a risk that works on site may be unable to commence in accordance with the Accepted Programme.

- 1.7 The project is now ready to commit to construction. The next step is approval from the Deputy Chief Executive and City Treasurer in consultation with the Deputy Leader and Executive Member for Finance and Human Resources to Commit to Construct and issue the Notice to Proceed.

2.0 Background

2.1 Activity to date

- 2.1.1 It is over two years since the Town Hall closed its doors to the public to undergo a major project to secure the long term future of Manchester's civic heart and most iconic public square.
- 2.1.2 Since January 2018, a huge amount of behind the scenes work has been carried out to ensure that the construction phase can begin from March 2020. Starting with the decant of the Council services to alternative locations, a series of complex intrusive surveys have been undertaken and the assets within the building carefully catalogued and placed into suitable storage.

a) Heritage Assets

- 2.1.3 Once the decant of staff was completed, the building had to be cleared to allow more intrusive survey work to take place. 140 years of collected treasures and other assets had to be examined, recorded and archived.
- Collectively weighing in at over 10 tonnes, 35 sculptures were moved to temporary homes, while the larger sculptures – Dalton and Joule in the entrance hall - have been boxed in for protection. All were assessed, cleaned and photographed before being moved.
 - Almost 90 paintings were taken down, condition-checked, individually boxed and sent to storage, with the exception of the largest painting: the 3.5m wide 'Central Executive Cotton Famine Relief Committee', which has been loaned to Manchester Art Gallery for their "Get Together & Get Things Done" exhibition.
 - The entire collection of historic chairs and other pieces of furniture were removed to storage.
 - The immense collection of plans, drawings and designs from the Sewer Plans Room was taken away by the Council's Archives+ Team as part of a project to document, clean and archive them all.
 - The Archives+ Team has also removed thousands of glass plate negatives from the Town Hall's Photographers Workroom, which have been digitised for ease of access.

- The amazing collection of silverware and the huge number of Civic Gifts were carefully recorded, packaged and removed to store.

2.1.4 Many of these artefacts will form part of a public exhibition in a new Visitor's Centre which will feature on the ground floor of the building when it reopens in 2024.

b) Intrusive Surveys

2.1.5 Over the course of eight months, experts in a huge range of heritage and craft fields made painstaking inspections and assessments of the condition of the building. Their work has informed the design team's understanding of the building's original construction and the specification of the scope of the works packages to be tendered.

2.1.6 Over 590 individual surveys were completed, using 124 different survey types, and requiring Listed Building Consent for over 1,300 interventions. These included:

- Lifting suspended timber flooring;
- Heritage paint analysis;
- Stone and terracotta repairs;
- Trial cleaning;
- Core drills and compression tests to floor slabs;
- Timber rot surveys;
- Chimney CCTV surveys;
- Mural condition survey;
- Lead roof inspections;
- Timber, metal and stained glass window repairs;
- Mosaic analysis, removal and repairs;
- Inspection of the Clock Tower, and 3D images of the roof;
- Checking the condition of the huge light fittings with one of each design being taken down for assessment.
- A full and detailed survey was made to assess the condition of the Grade 1 listed Albert Memorial.
- Asbestos surveys;
- Dilapidation surveys to record the condition of all parts of the building prior to works commencing;
- Drainage investigations; and
- Trial pits to explore below ground conditions across the Public Realm and within the inner courtyard.

2.1.7 These intrusive surveys, and subsequently a series of further due diligence surveys undertaken after the appointment of Lendlease as Management Contractor, have significantly enhanced the understanding of the building and enabled the project team to much more confidently scope the works and assess the level of risk of later discovery.

2.1.8 Lendlease used the intrusive survey information as the basis to inform a series of due diligence surveys in advance of the planned start of Early Works in September 2019.

c) Early Works

2.1.9 A series of Early Works were agreed with Lendlease which could be undertaken in advance of the main construction works, such that these would de-risk the overall programme through a limited number of early interventions. The Early Works commenced on site in September 2019, and have included:

- Hoarding and enclosure to Lloyd Street;
- Hoarding to site boundary;
- Scaffold design and the erection of scaffold along the Albert square elevation. It is understood that, when complete, the OTH scaffold will be the largest of its kind in the UK;
- Site logistics;
- Courtyard remedial works;
- Placement of order for the temporary site accommodation;
- Removal of paving and creation of hardstanding for the temporary accommodation in Albert Square;
- Creation of mock-up rooms which will assist in the completion of the Fit Out design;
- Pre-Construction Services Agreement for MEP Work Package;
- Temporary electrical services;
- Asbestos and hazardous waste removal; and
- Soft strip and MEP strip out.

2.1.10 Whilst not part of the OTH project, the team has also worked alongside Vital Energi to ensure that the below ground infrastructure for the Civic Quarter Heat Network (CQHN) was installed across the site.

2.1.11 Procurement of these early works has enabled a planned start on site of the main construction works for OTH in March 2020.

d) Stakeholder Engagement

2.1.12 Since early in RIBA Stage 2, the project has engaged regularly with a wide range of stakeholders, both internal and external. The developing detail of the design was submitted regularly to Project Board and Strategic Board, and in the period between August 2017 and September 2019 (the date at which pre-planning design information was concluded), the team consulted with stakeholder groups across the following work-streams:

- Wayfinding and interpretation;
- Security;
- Internal and external events;
- Public Realm (including CQHN);
- Catering;

- Heritage;
- Health, Safety and Wellbeing;
- Fire Safety;
- ICT and Audio Visual;
- Sustainability;
- FM Operations;
- Interior Design;
- Exhibitions and Visitor Centre;
- Organ Group;
- Access Panel; Design and Heritage Panel;
- Press and media;
- Community;
- Statutory Applications; and
- Landowners and Neighbours.

2.1.13 Detailed and overwhelmingly successful consultations have continued with the heritage bodies such as Historic England, the Victorian Society, the Manchester Conservation Area and Listed Building Advisory Panel, and the Local Planning Authority. There has also been continuous engagement and consultation with a wide variety of focus and stakeholder groups, as well as the wider Mancunian public community.

2.1.14 For each of these work-streams noted above, attendance has included relevant Members, Council Services, Statutory Undertakers, Greater Manchester Police, TfGM, Utilities Companies; Historic England, the Victorian Society and a number of Special Interest Groups (such as Access Groups and Footpath Societies).

2.1.15 In advance of the application for Planning Consent, and to ensure that plans were shared with key stakeholders, a series of engagement sessions were held during RIBA Stages 3 and 4. These included:

- a presentation and workshop to discuss access arrangements and design with The Disability Access Group in April 2019;
- an open day for the official “closing” of the building in January 2019;
- three events specifically for the Council’s business neighbours and invited groups such as the Footpath Society;
- a ‘meet the buyer’ event for local businesses to find out more about the work packages that will be on offer.
- two 3-day public engagement sessions in March and June at Central Library, where members of the Design Team with expertise in architecture, public realm and heritage were on hand to talk people through the plans. Many attendees expressed amazement at what has already been achieved and looked forward to the eventual completion of the project.
- Members were invited to engagement sessions on design at the end of RIBA Stages 2 and 3.

2.2 Design status

a) Summary

- 2.2.1 The eight overarching project objectives remain the fundamental basis for all design decisions on OTH.
- 2.2.2 Completion of Stage 4 design is scheduled for March 2020. At the point of NTP, the stage 4 design is substantially complete. There remains a small number of design elements that will remain to be completed beyond March 2020, chief amongst which are:
- Detailed scope of repairs to the Albert Memorial;
 - Detailed scope of repairs to the THX link bridges;
 - Fit out of the upper floors (third party accommodation); and
 - Response to planning conditions, where appropriate (for example, detail of the hard finishes in Albert Square).
- 2.2.3 These elements are well-defined and have been captured within the project's design management plan and cost plan.
- 2.2.4 Maintaining the design quality and heritage integrity of the proposals has been high on the agenda and an extremely good relationship based upon teamwork, trust and mutual respect has developed between the design team and the wider project team including the Management Contractor, the Client and the Design and Conservation Manager seconded to the project.
- 2.2.5 Reducing risk and operational burden for the Council whilst respecting the heritage value has also been paramount in developing the detailed design, as well as achieving an appropriate balance between capital cost and life cycle cost/ ease of maintenance.

B) Design Team Collaboration

- 2.2.6 Cohesion, collective experience and expertise are the overriding characteristics of the project design team and the wider project team including the client, operations, curatorial and heritage/planning team.
- 2.2.7 The additions to the team of Lendlease and NG Bailey over the past year has also been vitally important in the delivery of viable and pragmatic proposals for such a complex project.
- 2.2.8 The RIBA work stage 4 early works including the 'Pre-Construction Due Diligence Surveys' and the Mock-up Rooms, along with the coordination of the design using the BIM model, have all added to the ability to fully understand the detail required and justify the proposals. Moreover, the constant presence of the project team on site and the intrinsic knowledge that has consequently been gained has enabled the whole team to challenge the proposals and develop workable solutions collectively.
- 2.2.9 In short, the team know the building and its environs extremely well ('like the back of their hand') having worked in it together for over two years now.

This cohesion is vitally important and will be continued throughout the construction phase of the project.

2.2.10 A federated BIM Model has been utilised throughout stage 4.

c) Design Management Plan

2.2.11 Mid-way through RIBA Stage 4, the project team developed the Design Management Plan (DMP) to ensure the full coordination of the Stage 4 design, in support of the principle that for design to be 'Ready for Construction', it should be fully coordinated across and between disciplines.

2.2.12 The DMP was implemented following the detailed design reviews of the 'Tender Information' for the NTP Work Packages, provided by the consultants. During the reviews, the Project Team identified such matters as:

- missing design information;
- errors and/or coordination issues between information provided by each design discipline;
- known risks which have the potential to impact the design; and
- scope that will need to be included in work packages already tendered or, in the process of tendering.

2.2.13 The purpose of the DMP is to increase cost surety on the packages procured in advance of NTP, and this collaborative tool has allowed the project team to manage design risks together ensuring that all Project Team members maintain a shared ownership of Work Package design risks.

2.2.14 Where the DMP identifies elements of commercial risk these have been captured in either the Contingency Plan or cost plan.

2.2.15 The DMP will continue to be used through the procurement of the Tranche 2 packages. As the projects progresses and the remaining elements of design are concluded, the DMP will remain live until all packages are procured and all costs secured. The DMP will continue to capture all gaps, errors and coordination issues and track them through to resolution, aligned with the procurement programme.

2.2.16 The intrusive surveys undertaken at RIBA Stage 2, and subsequently the further due diligence surveys undertaken with Lendlease have significantly enhanced the understanding of the building. This has enabled the project team to provide a more detailed scope of works and better understand the level of risk and potential discovery, as reflected in the Contingency Plan.

2.2.17 That is not to say that all risk has been eliminated from the design, however, this is addressed through the Design Management Plan.

d) Planning, Listed Building and Building Control Consents

- 2.2.18 All primary consents were obtained in January 2020, albeit with a significant number of conditions that will require careful management and programme planning to discharge them as the works progress.
- 2.2.19 The well-established relationships and trust that have developed between the design team, planning consultant, management contractor, conservation/heritage manager, local planning authority, building control department and various statutory consultees will assist with the management of this process, was the case with the surveys and early works already undertaken on site.

2.3 Procurement

a) Strategy

- 2.3.1 A paper presented to Ethical Procurement and Contract Management Sub-group on 04 October 2019 described the Works Package procurement strategy for the project, noting that the Our Town Hall project was moving towards the latter stages of the design process, with Notice to Proceed and the start of construction works expected to begin in early 2020 and scale up over the course of that year. Lendlease were managing a programme of construction works that includes over 120 individual work packages and a large and complex supply chain.
- 2.3.2 The number of work packages has been derived based on a number of considerations. Some examples are:
- Strength of available supply chain
 - Value/size
 - Capabilities
 - Capacity
 - Number of operatives
 - Potential to deliver KPIs
 - Local labour and spend
 - Support for SMEs
 - Complexity and ability to manage interfaces
 - Appropriate allocation of risk.
- 2.3.3 In the intervening period since the paper was reported, the number of works packages has grown to 149.
- 2.3.4 The paper noted that the project procurement strategy comprises 6 procurement options, and each package will fall into one of these. These have been designed to provide sufficient flexibility to achieve best value in respect of the project objectives and are cognisant of the capacity for specific packages within the supply chain.
- 2.3.5 A fundamental benefit of the management contracting procurement route, acknowledged from the outset, has been the flexibility that it allows for the Council to prioritise the procurement of individual packages at times best

suited to achieving the optimum balance between cost and programme, as opposed to a single procurement of all of the works in one hit.

b) Package Criticality

- 2.3.6 One of the challenges of the Management Contracting approach is the lack of cost certainty achieved in the early stages of the project. Throughout RIBA stages 2 and 3, the Project Team were focused on the pursuit of increased certainty by focusing on surety of cost.
- 2.3.7 This has been addressed in part by focusing on the criticality of the works packages. Criticality is defined as how critical the package is to the project in terms of programme, value, trades dependency, logistics and decision dependency (decisions by the Council).
- 2.3.8 At NTP, 65% of the works packages noted as high criticality have been purchased. Of the remaining packages, the key risk to the project is the internal repairs within the fit-out cluster. The design for these repairs is now complete and initial analyses (based on Level 2) are illustrating the design is within the cost plan allowances.
- 2.3.9 The next tranche of procurement will focus on the demolition and builders work packages to bring additional surety to the remaining highly critical packages.
- 25% of packages noted as Medium Criticality are bought at NTP.
 - 56% of packages noted as Low Criticality are bought at NTP.

c) Package Surety

- 2.3.10 For OTH, the works packages have been split into two tranches. At NTP, the project has secured the high value, high risk work packages as part of Tranche 1, with the residual Tranche 2 packages comprising lower value, lower risk packages:
- **Tranche 1** comprises 61 packages, with a value equivalent to approximately 60% of the overall value of the Works. These are the Works Packages that have been procured at the point of Notice to Proceed.
 - **Tranche 2** comprises 88 packages, with a value equivalent to approximately 40% of the overall value of the Works. These are the residual Works Packages that will be procured in the period beyond NTP.
- 2.3.11 The 60% cost surety position comprises the Tranche 1 packages, and is built up as follows:
- Fixed price lump sum (86%);

- Re-measurable (8%) - a validation exercise on the external stone repairs post scaffold erection will be required. Whilst there is a degree of uncertainty at higher, less visible and accessible areas of the building façade, the risk on this package is considered low given that it has already been designed, measured, priced and bought);
- Defined provisional sums (3%);
- Prime cost sums (3% for electricity consumption charges);
- 97% of the NTP design has been tendered against either stage 4 information or better, with 17% at Stage 5 (construction ready);
- At NTP, 65% of 'high criticality' packages have been bought (see section 2.4); and
- Known future risk has been identified in relation to the Tranche 1 packages, and is allowed for.

2.3.12 The residual Tranche 2 packages which are yet to be bought comprise 40% of overall construction value. These are all well-defined, with allowances made within the cost plan, preliminaries schedule, Contingency Plan and programme.

2.3.13 These packages will be procured in accordance with the strategy and subject to the controls described in Section 6. For Tranche 2, 32% is at RIBA Stage 4 design or better, with 9% at Stage 5.

2.3.14 Stage 4 design is scheduled to conclude with the final release of the stage 4 information by 13 March 2020. Procurement beyond NTP will generate a further 21% of cost surety by December 2020.

2.3.15 The Project Contingency Plan has been fully updated and aligned to the risk position at NTP, including allowances for both known cost pressures and future risks, and all work package procurement has been subject to a rigorous process to test best value, which has involved senior Council Officers, including the Head of Procurement. In this context, best value is defined as value for money and Social Value contribution. The project is tracking ahead of its Social Value commitments, and is forecast to out-perform its KPIs at completion.

d) Summary of package procurement at NTP

2.3.16 Work package procurement has been undertaken by Lendlease in accordance with the Management Contractor Specification and the agreed contract procedure. This procedure is back to back with the Council's Ethical Procurement Policy, and the Social Value KPIs for the project (which are described in Section 1.2.4).

2.3.17 Regular oversight of the procurement process is provided by the Executive Procurement Group (EPG) on a fortnightly basis, chaired by the Project Director and attended by the Council's Head of Procurement. EPG has been supported by the following additional levels of scrutiny:

- The Council's Internal Audit Team;

- Reports to Ethical Procurement Sub-group, most recently in July and October 2019;
- Oversight by the Deputy Leader of all packages placed with a value in excess of £250k;
- Periodic reviews by the project's Technical Assurance and Validation Panel;
- Approval of single sourcing procurement strategies by the Executive Member for Finance and Human Resources.

e) Tendered Packages

2.3.18 As at the date of NTP, 61 packages have been tendered, with a total construction value of £128m. Of these tendered packages, the following proportions have been placed with local businesses:

- 63% have been placed with Manchester-based businesses;
- 84% have been placed with Greater Manchester-based businesses.

f) Packages not yet tendered

2.3.19 32% by value of the Tranche 2 packages has achieved RIBA stage 4 design. This will be completed in March 2020. The Lendlease tender event schedule maps out the programme for procurement of these residual packages, for which the majority of tender lists have been agreed. All remaining packages will competitively tendered using stage 4 design.

2.4 Social Value

2.4.1 Achieving economic and social value for Manchester has been a core project objective from the very start. To date there has been significant progress made against the project KPIs and in the way in which social value has become embedded in the wider project team's day to day work.

2.4.2 On a number of occasions in RIBA stages 2 and 3, the project has reported at Resource and Governance Scrutiny Committee and its Ethical Procurement Sub-Group. Feedback from members has been instrumental in the way that targets have been set and refined as the project has evolved, to ensure that opportunities for the people and businesses of Manchester are at the forefront.

a) The role of the management contractor

2.4.3 When bidding for the role of management contractor, Lendlease was required to forecast which packages would contribute to the delivery of all project KPIs, including Social Value, and this forecast informed the offer that was inserted into the Contract. This forecast was based on the work they had already done to ascertain supply chain capacity for each package.

- 2.4.4 Over the course of RIBA Stage 4, there has been close working with the Lendlease team to prepare for the start of construction by ensuring that social value is driven right through the supply chain, that they have the right contacts and relationships with partner organisations across the city, and that processes and procedures are embedded that will allow performance against project targets to be effectively forecast, tracked and monitored.
- 2.4.5 The Lendlease team has formed relationships with key employment support and training providers in Manchester. This includes the DWP Employee Suite, Yes Project in North Manchester, The Works in Central and South Manchester and Wythenshawe Skills and Employment Group in Wythenshawe and will allow us to make use of existing funded services to support people in to opportunities on OTH.
- 2.4.6 Minimum performance targets have been agreed for each Social Value KPI on a work package basis, with support and guidance provided for work package contractors to make it as easy as possible for them to meet and exceed the required standards.
- 2.4.7 Extensive market engagement has been conducted with the supply chain to identify and engage with Manchester based suppliers and contractors, and then to support them through the procurement process.
- 2.4.8 The Council's Ethical Procurement Policy is embedded into the contract with Lendlease, and a monitoring framework is being developed between Unite and Lendlease to ensure that this and the Unite Charter is appropriately reflected throughout the project supply chain.

b) Achievements to date

- 2.4.9 Of the Tranche 1 packages procured at NTP, 63% is spent in Manchester, and 84% in Greater Manchester.
- 2.4.10 Social Value is an obligation for the whole project team, and each partner organisation working on the project is contributing.
- 2.4.11 The key achievements to date include:
- New Jobs Created – 33 Manchester resident jobs have been created across the Project Team in a variety of roles including procurement, commercial management, project management, ground works, cleaning, facilities and traffic management.
 - Apprenticeships – 15 higher level apprenticeships have been provided through the M Futures programme, with 5 of the 6 apprentices in the first cohort completing and staying in the industry, and three of these remaining with employers on Our Town Hall. Mace Apprentice Abdul Tahir, from Whalley Range, won Apprentice of the Year at the GMCC Property and Construction Awards 2019.
 - Local Spend – £51m worth of orders placed in the Manchester area and further £2m in Greater Manchester. Lendlease has contacted over

50,000 suppliers in the Manchester area with over 400 attending Meet the Buyer events held in April 2019 and October 2019. £34m is still to be procured with a target of £19m in Manchester and £15m in Greater Manchester. Engagement workshops to be held March/April 2020 at which potential tenderers will be invited to learn more of the opportunities to work on the project.

- Schools Engagement - 79 sessions held in Manchester schools covering careers, employment and STEM. Project staff have also volunteered as mentors through the One Million Mentors scheme.
- Work Experience – 72 placements provided for school and college students, including through the shared work experience programme. Lendlease has recently taken on the first T-Level placement with the Manchester College.
- Higher Education Engagement – The project has worked with over 1400 students providing site visits, careers fairs, mentoring, work placements, industry placements and more. Taking part in the annual Manchester School of Architecture Events programme, the project has begun connecting students with local schools and colleges.
- Volunteering – The total amount of voluntary time committed now stands at over 1800 hours. Projects supported include Barnabus Homeless Drop-In Centre, Longsight Youth Club, Canal and River Trust and many more.
- Working practices – all contractors working on the project are asked to commit to paying the real living wage and avoid employing people on zero hour contracts. The Council's Ethical Procurement Policy is embedded into the contract with Lendlease, and a monitoring framework is being developed with Unite and Lendlease to ensure that this and the Unite Charter is appropriately reflected throughout the project supply chain.
- Using the monetary values set out in the management contract, the project team has to date delivered an ROI social value benefit in excess of £1.5m.
- The project is forecast to deliver an overall ROI forecast in excess of £11.5m, which equates to 3.7% of the overall capital budget.

2.4.12 The table below sets out in the form of a dashboard for each of the Social Value project KPIs, the project base target, current achieved outcomes and forecast outcomes at project completion.

KPI Ref	KPI Summary	Project Base Target	OTH Project Actual to Date	LL Procured to Date	LL Forecast Remaining Procurement	Combined Total	Forecast Variance against Project based target
SV1	Local Employment	30%	21%				
SV2a	MCR Spend	40%	57%				
SV2b	GM Spend (inc MCR)	50%	68%				
SV3	New jobs created	45	32.5	18	46	96.5	51.5

SV4	New qualifications achieved	50	4	22	48	74	74
SV5	New professional memberships achieved	20	1	26	0	27	7
SV6	Progression in professional memberships	20	0	9	13	22	2
SV7	School / college careers / employment sessions	50	70	18	58	146	96
SV8	School / College STEM sessions	50	9	29	39	77	27
SV9	Higher education students supported	1500	1491	300	1722	3513	2013
SV10	Higher education research projects supported	35	5	5	8	18	-17
SV11	Work placements 14-16 yrs	50	43	2	37	82	32
SV12	Work placements 17+ yrs	50	19	19	42	80	30
SV13	New apprentices up to level 3	100	1	34	93	128	28
SV14	New apprentices level 4+	50	18	17	44	79	29
SV15	Manchester resident apprentices	100%	N/A	N/A	N/A	N/A	N/A
SV16	Existing apprentices employed	100	1	31	78	110	10
SV17	Completing apprentices	100	5	34	76	115	15
SV18	Volunteer hours spent	10,000	1841	3890	11538	17269	7269
SV19	Compliance with MMW	100%	100%	100%	100%	100%	100%
SV20	Compliance with Ethical Procurement Policy	100%	100%	100%	100%	100%	100%

c) Looking ahead

- 2.4.13 With the exception of SV10 (Higher Education research projects supported), the project is forecast to exceed the baseline project targets for Social Value. Work is underway to address this potential shortfall, with two new research programmes commencing January 2020.
- 2.4.14 The project team is working on initiatives to challenge stereotypes about the industry and provide opportunities for Manchester residents of all backgrounds to develop their skills, experience and understanding of the construction sector. There is a system in place to monitor diversity in the workforce, working proactively with partners to ensure that the opportunities created are accessible to all communities.
- 2.4.15 In summary, the good work already undertaken previously has been built upon with Lendlease, and there are solid foundations in place to continue to deliver great Social Value outcomes across the life of the project. At the point of NTP, all Social Value KPIs are forecasted to be achieved and the team is seeking opportunities to go further still.

3.0 Documents Required prior to instructing NTP

- 3.1 The Contract with the Management Contractor requires that before the Council issues the Notice to Proceed it has to satisfy itself that a number of key documents and dates have been agreed with the management contractor, including the Project Cost Plan, the Supplemental Particulars, Date of Completion, and the Preliminaries Cost Schedule. These documents are now agreed, and as such the project is ready to progress into the construction period.

4.0 Project Cost Plan- See Part B Report

5.0 Supplemental Particulars

- 5.1 The Supplemental Particulars record the position reached between the Council and Lendlease in three specific areas of the Contract:

- Project Cost Plan Total: See Part B Report.
- Start and completion dates for The Town Hall and Albert Square and Public Realm:
 - 1 May 2019 – 22 December 2023;
- The Management Contractor's Staff and management preliminaries submission (see Section 6 below);

6.0 Preliminaries Cost Schedule

- 6.1 Project preliminaries are defined as the cost of staff, general facilities and resources required to support the delivery of the Works. These can be procured as part of the management contractor's price or, if better value can be obtained by so doing, as part of individual works packages.
- 6.2 The management contract requires that the Preliminaries Cost Schedule is agreed prior to instructing NTP.
- 6.3 The allocation of preliminaries responsibilities between Lendlease and the Works Packages is detailed in the Preliminaries Matrix which was developed during the pre-construction period by the project team.
- 6.4 This approach ensures that all preliminaries requirements are co-ordinated in the most efficient way, without duplication, and that where necessary responsibilities are backed off against Works Package contract documents.
- 6.5 There are a number of large preliminaries Works Packages that will provide support to all trades across all phases of the project. This will improve coordination and efficiency, reducing standing time and disruption. These include Logistics, Internal Scaffolding, External Scaffolding, Project Accommodation, Temporary Electrics, Temporary Protection and Rubbish Removal, all of which have been procured, with the exception of Internal Scaffolding (which will be tendered during 2020 along with the Fit-Out Works Packages). This approach also avoids the profit-on-profit scenarios that might otherwise apply if preliminaries are procured across the 149 work packages.
- 6.6 At the point of committing to NTP, 93% of the project preliminaries requirements have been tendered, all of which are lump sum prices and align with the Accepted Programme. The Lendlease element of the preliminaries benchmarks well against the wider construction marketplace.
- 6.7 Within this, the lump sum price for the management contractor has been agreed during the pre-construction period using the staffing rates tendered by Lendlease, and based on the Accepted Programme.
- 6.8 The Management Contractor's lump sum price will cover the following:
- Management staff to discharge the Management Contractor's obligations;
 - Management Contractor's insurances;
 - Miscellaneous site office costs e.g. stationery and ICT equipment;
 - Miscellaneous site facilities e.g. first aid and fire extinguishers.
- 6.9 All other elements will be procured within the Works Packages.
- 6.10 The price agreed with Lendlease is reported in Part B.
- 7.0 Date for Completion**

7.1 Programme Overview

- 7.1.1 The Master Programme presented by Lendlease to the Council for acceptance has been developed from the RIBA stage 4 design, which is complete with the exception of the internal restoration and fit out.
- 7.1.2 Working with its supply chain, Lendlease has developed an optimum programme which protects the heritage and high significance assets and is founded on the principles of quality of workmanship and a right first-time approach.
- 7.1.3 The date for the completion of the works is 22 December 2023. This is the date at which the Contractor passes responsibility for the completed works back to the Council. At this point, the Council will commence the occupation of the building, and the run-in to operational Go-Live.
- 7.1.4 Included with the programme is a table of key milestones and client key dates. Chief amongst these are to Issue Notice to Proceed in early March 2020, with the main works commencing on site later that month and a date for completion of December 2023.

7.2 Approach to development of the Master Programme

- 7.2.1 The Project Manager has reviewed the assumptions underpinning the programme and has identified a list of opportunities for potential improvement.
- 7.2.2 Lendlease has relied upon the experience of fitting out the mock-up rooms, which were undertaken early to test assumptions made during the design period, and the input of the work package contractors that are key to development of the programme critical path, to develop their detailed programmes for inclusion into the accepted programme.
- 7.2.3 The programme for packages that will be procured beyond NTP is based upon a combination of market-tested feedback and the benchmarking and experience of Lendlease as Management Contractor. Therefore, in the same way that cost surety is more fully developed for the NTP packages, programme surety is more developed for those packages already procured at NTP.
- 7.2.4 It should be noted that until all residual packages are procured, the programme carries a degree of risk, and that further developing design, onsite discoveries and subsequent marketplace engagement and tendering may require that the Master Programme is updated periodically. The protocol for monitoring and reporting programme progress is described at section 8.0 below.
- 7.2.5 The programme is based on detailed coordination between the external façade repairs and restoration and the internal alterations, interventions and subsequent internal restoration and fit out. It can be summarised into four key elements of work:

- Enabling and External repairs,
- Major interventions/alterations,
- Internal restoration,
- Commissioning

7.2.6 These key elements are phased over five zones and the general flow of work within the Town Hall commences with MEP plant and equipment and main distribution routes in the Lower Ground floor (plant rooms and associated spaces), before adopting a top down approach from level 7 to ground floor, and then working out of the building and safeguarding the significant heritage spaces.

7.3 Opportunities

7.3.1 Lendlease and the wider project team are committed to continue to seek opportunities to improve programme performance, particularly as the final elements of stage 4 design are released, and detailed scope is available to initiate more supply-chain engagement, challenge and validation. Opportunities to improve programme have been identified, including durations for stonework, leaded windows, heating, scoping of fabric and finishes repairs, and the elevated link bridges to THX.

7.3.2 At this stage the project has received Planning/Listed Building Consent and viewed the pre-development conditions; and whilst a number of proposed amendments to condition wording were taken on board by the Council's Planning Service, there remain some conditions that were not amended and these will be reviewed to determine whether there is a need to make a formal application to amend or apply for an immediate condition discharge. Work is ongoing to discharge specific pre-commencement conditions.

7.4 Soft Landings

7.4.1 A Soft Landings approach is being followed on the OTH project in line with BSRIA BG 54/2014 'Soft Landings Framework,' which was developed as a protocol that will ensure that the building is operationally ready from day one of occupation, with a minimum of defects requiring rectification beyond the date for occupation.

7.4.2 Soft landings is a collaborative process and has been developed in conjunction with the Council's Building Operations Team to ensure that the commissioning and handover sequence reflects the lessons learnt from the THX and other projects.

7.4.3 The programme has dedicated periods for cause and effect testing and operational testing of individual systems and areas of the building to ensure a smooth and structured hand-over. Support will be available from the supply chain in building familiarisation and training of the operational and FM staff of the building beyond the Date for Completion.

8.0 Project Management Plan

8.1 Forward Look

- 8.1.1 The forward look comprises two elements: project controls and team dynamics.

8.2 Project Controls

- 8.2.1 At the point at which there is a commitment to construction, a level of confidence in the outturn cost and programme which has been secured, based upon the procurement of the most critical packages, and a risk-assessed approach to the development of the contingency plan.
- 8.2.2 This section will describe the controls that will be implemented during the construction period in managing design, cost, risk, and programme. These controls are set out within the Management Contract Specification, and describe the rules of engagement for the project.
- 8.2.3 **Design:** the Design Management Plan will remain live until all packages are procured and all costs secured. The DMP captures all gaps, errors and coordination issues and tracks them through to resolution, aligned with the procurement programme. Stage 4 design is scheduled to conclude with the final release of the fit out cluster packages by 13 March 2020. Progress will be routinely reported at Project Board and Strategic Board.
- 8.2.4 **Cost:** moving into construction, the Quantity Surveyor will continue to control cost and reporting, working closely with the Management Contractor, who in turn will be responsible for the procurement and placement of works packages. The Executive Procurement Group (attended by the Project Director and the Council's Head of Procurement) will continue to sign off on package procurement, reporting on progress to Project Board. Monthly commercial meetings will be chaired by the Quantity Surveyor throughout the construction phase to review overall cost, budgetary issues and valuations, and will include the MCC Finance Lead.
- 8.2.5 Project Change Control protocols have been updated to align with the contract administration provisions of the Contract.
- 8.2.6 **Risk:** Contingency allowances are set aside for the construction work packages. In addition, the project risk register will continue to be used to manage risk through to project completion. The Management Contractor Specification requires routine monthly risk review meetings, in addition to risk reduction meetings which will be arranged in response to early warnings raised during the works.
- 8.2.7 **Programme:** the Management Contractor will provide confirmation on at least a monthly basis as to whether there have been revisions to the Accepted Programme, and report to the Project Manager reflecting all revisions in accordance with the project reporting dates, or whenever a

change instruction is accepted, or whenever any of the key milestones are at risk of not being achieved. Where key milestones are at risk, the Management Contractor is required to submit proposals to mitigate delay.

- 8.2.8 During the construction period, the TAV Panel is available to provide technical assurance and independent challenge to the project team in the event that this is deemed necessary. This may be at key milestone events, or if necessary in the event of unforeseen events that require a significant change to the project plan.
- 8.2.9 **Governance:** the project has a financial governance structure within the delegated authorities agreed for use of the project contingency funding during construction. The Contract Administrator has approval of a one-off limit of £5k and Project Director of £25k with a cumulative of £100k per quarter through the construction phase. These limits and use of contingency will be robustly monitored on an on-going basis, and additional approvals will be sought as required in line with the approval levels.
- 8.2.10 Provided that packages come back within the agreed contingency level set out in the contingency plan, approval to order for these packages can be made within the delegated authorities agreed. Should the package cost post tender fall outside the level allowed in the Contingency Plan, then approvals will be sought in line with the project governance structure and delegated authority levels.
- 8.2.11 The use of contingency funding will be reported through the OTH Project Board and Strategic Board so there is clear visibility on the use of contingency through out construction, along with the on-going financial monitoring of the project.

8.3 Roles and Responsibilities – an Overview

- 8.3.1 As the project moves from the pre-construction into the construction period, the focus for the project will shift to the management of construction works across circa 149 packages of work, with as many as 560 staff and contractors on site at the peak of the works.
- 8.3.2 This will represent a significant upscaling, and a change to the dynamics of the team and to the role undertaken by each of the key project participants.
- 8.3.3 Whereas to date, the drivers for the Council's project management staff have been primarily focused on design outcomes and consents, during the construction stage the key driver of performance across the project will be the management of the relationships between the Management Contractor and its supply chain. The number of interfaces between Works Packages and the risk of Discovery on site will require an agile and responsive team that is resourced and empowered to react to unforeseen circumstances in a way that avoids unnecessary delay and costs.

- 8.3.4 Project contingencies exist for unforeseen and discovery risk during construction, and for fees which may be necessary to deal with the subsequent response. This will mitigate against the delays that would otherwise be incurred and instructions will be managed within the project's Scheme of Delegation for approvals.
- 8.3.5 The role of the consultant team will shift from design to supervision and certification of the quality of the works, and each member of the consultant team that has supervision duties will provide a dedicated resource to work with the Management Contractor to ensure high quality construction standards are achieved throughout. A critical area of responsibility for the consultant team will be the monitoring of the discharge of Planning Conditions and validation that the Works are being conducted appropriately and in accordance with all Planning and Listed Building Consents.
- 8.3.6 The Management Contractor will have a total project staff of 78, of which 50 are dedicated to the management of the supply chain, inducting Works Package Contractors into the project, managing the numerous interfaces between adjacent Works Package work-faces, and administering the terms of the individual works package contracts. As part of the run-in to NTP, Lendlease has progressively introduced to the project the construction management staff that will be integral to these activities, each of whom has been allocated responsibility for their own specific works packages and work-streams.
- 8.3.7 Operating above the construction management team are a number of project management staff, charged with management of the interfaces between these work-streams.
- 8.3.8 The size of the challenge in managing the interfaces between so many packages should not be underestimated, and whilst Lendlease has satisfied itself that it has in place the right staffing resource, it is acknowledged that a project of this complexity with so many interfaces is exceptional.
- 8.3.9 The Management Contract specification requires that the management contractor establishes and chairs quarterly interface meetings and workshops with, and between, the works contractors and, where appropriate, other members of the project team to review project performance and identify opportunities for improvement. This is the opportunity for the Council and consultants to monitor the performance of the team and address issues where necessary.

9.0 Conclusion

- 9.1 The management contracting procurement route has been adopted by the Council for this project and in acknowledgement of the complexity inherent in a project of this nature within a Grade 1 listed building and working with a specialist heritage supply chain. It was always intended, and indeed is one of the key points of the contract with Lendlease, that the Council would procure works packages progressively, and would commit to construction at the point

at which an optimum balance between cost surety and programme duration had been achieved.

- 9.2 Working with Lendlease as the Council's construction partner, there is a cohesive team that is working collaboratively on all fronts, which puts the Council in a good place to move into the construction stage of the project.
- 9.3 This Report concludes that on the basis of the Tranche 1 packages procured to date (60% by value), and the level of design readiness to procure the balancing Tranche 2 (remaining 40%) packages, the project is suitably advanced for the Council to Commit to Construct, noting the arrangements that are in place to manage the risk of cost and programme overrun in the Tranche 2 packages.
- 9.4 Subject to approval of the Deputy Chief Executive and City Treasurer in consultation with the Deputy Leader and the Executive Member for Finance and Human Resources, a Notice to Proceed will be issued to Lendlease in the following terms:
- Project Cost Plan Total: see Part B Report.
 - Start and completion dates for The Town Hall and Albert Square and Public Realm:
 - Town Hall: 1 May 2019 – 22 December 2023;
 - Albert Square: 16 January 2020 – 03 October 2023.
 - Preliminaries Cost Schedule Total: see Part B Report.

Glossary of Terms

Accepted programme:	The master project programme prepared by the Management Contractor and approved by the Contract Administrator, to include all significant activities set out in the Management Contractor Specification.
BSRIA: Building Services Research and Information Association	Not-for-profit member based testing, instrumentation and research association.
Management Contractor Specification:	Appendix to the Management Contract which sets out the Council's requirements regarding the role of the Management Contractor.
Notice to Proceed:	A date in the Management Contract at which the Council instructs the Management Contractor to proceed from pre-construction services into the construction stage of the Works
Ready for Construction:	The point at which the Management Contractor certifies that it is satisfied that the Project Information and design information is properly co-ordinated across and between disciplines and works packages.
TAV Panel: Technical Assurance and Validation	Specialist advisors selected and retained by the Council independent of the project team, to provide independent challenge.
Tender Event Schedule:	Schedule indicating all procurement activities and durations for all works packages from pre-qualification through to start on site.

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