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MANCHESTER
CITY COUNCIL

Resources and Governance Scrutiny Committee

Date: Tuesday, 6 September 2022
Time: 2.00 pm
Venue: Council Chamber, Level 2, Town Hall Extension

This is a **Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published.

Access to the Council Chamber

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Filming and broadcast of the meeting

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Membership of the Resources and Governance Scrutiny Committee

Councillors - Simcock (Chair), Andrews, Davies, Good, Kirkpatrick, Lanchbury, B Priest, Rowles and Wheeler

Supplementary Agenda

7. Property Annual Report 3 - 32
Report of the Deputy Chief Executive and City Treasurer and the Director of Strategic Development.

This report provides an update on property activity since the last Annual Property Report to Resources and Governance Scrutiny Committee in May 2021.

8. Ownership of Assets 33 - 38
Report of the Head of Estates and Facilities and the Head of Development.

This report provides an overview of CPAD, the Council's property system, the training available for Councillors on the system, and the role of the Records team in supporting ownership queries. The report also references work to update records and develop a strategic asset management plan.

9. Global Monitoring and Budget Position 39 - 70
Report of the Deputy Chief Executive and City Treasurer.

This report outlines the projected outturn position for 2022/23, based on the latest expenditure and income activity as at the and future projections. It also outlines the updated forecast position for 2023/24 and beyond following a full review of income and emerging pressures.

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, 26 August 2022** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester, M60 2LA

Manchester City Council
Report for Information

Report to:	Resources and Governance Scrutiny Committee – 6 September 2022
Subject:	Annual Property Report 2022
Report of:	Deputy Chief Executive and City Treasurer, Director of Strategic Development

Summary

This report provides an update on property activity since the last Annual Property Report to Resources and Governance Scrutiny Committee in May 2021.

Recommendations

The Committee is recommended to note and comment on progress to date as set out in the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The Council's property and land assets are a significant area of focus in efforts to achieve the zero-carbon target for the city. In terms of the Council's direct carbon emissions, in 2021/22 the Council's operational buildings accounted for around 75% of the total emissions. Emissions from energy use in Council buildings in the last quarter (Q4) of 2021/22 are 22% lower than Q4 in the previous year, and 33% lower than in Q4 2019/20. Reductions have been driven by the installation of energy efficiency measures and renewable energy generation capacity, and further affected by the decarbonisation of the national grid and the changes to building use caused by the Covid-19 pandemic. This report includes an update on the Zero Carbon Estate Programme, a specific investment programme focussing on building retrofit and energy generation to increase the scale and pace of carbon reduction activity on the estate.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The property teams provide professional services and leadership to drive effective place making and facilitate the economic growth of the City, by creating the necessary conditions needed to promote strong growth in commercial, residential, retail and leisure related development, stimulating new employment, new homes and broadening the City Council's tax base.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The property teams play a key role in leveraging economic growth from the Council's land and property assets, including enabling commercial developments that drive growth in high-skill sectors such as the digital, cyber, creative content, cultural, advanced manufacturing and professional service sectors.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The property teams work proactively with businesses, residents and partners to ensure developments contribute positively to place making and meet local needs to deliver neighbourhoods people want to live in. This includes supporting developments that promote the right mix of good quality and affordable housing for Manchester residents.
A liveable and low carbon city: a destination of choice to live, visit, work	The property teams play a key role in supporting Manchester's commitment to be a zero carbon City by 2038 by reducing the Council's direct CO2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings.
A connected city: world class infrastructure and connectivity to drive growth	The property teams work across the Council and with partners to ensure that development activity both drives and reflects the connectivity and infrastructure that underpin sustainable economic growth.

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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.

Updated Annual Property Report 2020/2021, Resources and Governance Scrutiny Committee – 25 May 2021

1.0 Introduction

1.1 Manchester City Council maintains a diverse portfolio of properties, including assets held to support the delivery of Council Services (the Operational Estate), assets that are let to tenants to provide an income to the Council (the Investment Estate), and assets held to support development in the city. The Council also owns schools assets and retained housing stock, however these later two parts of the estate are not included in the scope of this report.

1.2 This report covers the work of the Estates and Facilities Service (Corporate Core, responsible for the Operational Estate) and the Development Team (Growth and Development Directorate, responsible for the Investment Estate and assets held for development) since the last Annual Property Report in May 2021. It is broken down into three main sections: Development of the Strategic Asset Management Plan (Section 2); Development Team and Investment Estate (Section 3); Operational Estate (Section 4).

2.0 Development of the Strategic Asset Management Plan (SAMP)

2.1 The Strategic Asset Management Plan (SAMP) is a document that will set out the key priorities for the Council's property and land asset base and it's approach to the management of it over a 5 year period.

2.2 Developing a strategic approach to asset management was considered necessary to create a framework around which simpler, more transparent governance would underpin robust decision making in relation to the Council's assets base, informed through better and more comprehensive data and information.

2.3 It will bring together the Council's strategic direction and it's key stakeholders to create guidelines for the optimisation of the asset base, along with protocols to provide assurance that the information base, that is key to the performance management of any property asset, is enhanced.

2.4 A key component of the SAMP is an asset evaluation toolkit which will guide assessment of the Council's assets by way of generating a Benefit Cost Ratio. This is through an options analysis which will consider social, financial and delivery-focussed outcomes to arrive at the optimal use of the asset. This will allow a consistent and transparent evidence base to support decision making, on a prioritised basis across the Council's portfolio of assets.

2.5 The SAMP will also collate existing policies that are considered relevant and augment this through a process of reviewing and adopting Best Practice in relation to asset management across the sector, where applicable. It will set out a revised data and information protocol, fully integrated and supported by changes to CPAD (the Council's property management system) infrastructure to provide the structure for a more comprehensive data set across the entire estate. There will be a project to extract, collate, verify and codify this data from the variety of existing records and locations it is currently held in, the deliverables and timeline for this project will be contained within the SAMP routemap.

2.6 The evaluation tool has been tested using a variety of asset types and categories to refine the process and the matrix to support the BCR analysis. We are currently running a series of surplus operational assets through the process to ensure this works for assets where heritage, specialist uses and significant development constraints exist. The SAMP is currently in a draft format and officers are working to finalise this for approval within the next 6-8 weeks.

2.7 The SAMP principles, and the evaluation toolkit are being used to support ongoing asset decision making, particularly in relation to the deployment of surplus assets with outcomes to be reported through the Estates and Asset Board.

3.0 Development Team and Investment Estate Update

3.1 The reporting period April 2021 – March 2022, was impacted by the effects of the Covid-19 pandemic, but not dominated by it as the previous 12 months were. There was a return to more regular office-based working, but the emergence of hybrid working provides a revised frame of reference on how the city works, both in terms of the office environment, and what people want from their homes. In terms of the investment estate, the ring-fenced period for tenant protection for rent arrears came to an end, and officers are working through implementing rental payment policy on a case-by-case basis with tenants who were unable to pay rent through the Covid period.

3.2 We have continued to support the Council's objectives for residential and employment growth as well as supporting sporting, cultural and leisure initiatives, redevelopment and regeneration of district centres and working with colleagues in other Directorates on safeguarding and developing the Council's heritage assets, developing schools and rationalisation of Council property.

3.3 The Development Team is also responsible for generating capital income for the Council through disposal of land and buildings. This involves the identification of appropriate assets, undertaking pre-sale activity and negotiating commercial terms, as well as driving transactions through to completion to targets. The reporting period was challenging in this respect, particularly from a funding perspective, where increasingly risk adverse debt markets seek further risk mitigation measures, especially when funding development.

3.4 **District Centres including Wythenshawe**

The impact of continued lockdowns, restrictions to travel and use of public transport meant that Manchester's district centres had an increasingly critical role to play in the functioning of the city throughout the pandemic. In a post pandemic world this renewed focus on the form and function of our district centres provides an opportunity to ensure they remain relevant to the needs of the residents moving forward.

The emergence of the Levelling Up fund, Shared Prosperity Fund and other initiatives has been a focus for the Development Team. We have worked with colleagues across the Council on our 2 Round 1 levelling up bids, Withington and Culture in the City.

Officers have also led on the creation of a multi-disciplinary team to renew the vision for Wythenshawe Town Centre, with a view to submission of a comprehensive Levelling Up round 2 bid. To support this bid officers have negotiated commercial terms for the acquisition of the St Modwen interest in the shopping centre and secured investment into existing surplus assets within the periphery of the town centre. Discussions have also continued with colleagues from Manchester Foundation Trust, Bruntwood and TfGM in relation to the investment at Wythenshawe Hospital.

Update - In the last month a bid has been submitted to DLUHC in respect of Wythenshawe Town Centre for £20M grant from Levelling Up Round 2 to support a series of place-based interventions within the Town Centre including renewed public realm, the creation of a cultural hub, a food and produce market, a new enterprise centre and co-working space.

Alongside this revised plans for interventions at Gorton to build on the investment in the planned new District Hub are being developed. A renewed approach to delivery of a place-based investment at Moston is being prepared which will utilise receipts accrued from historic housing land sales within Moston.

Officers are working closely with colleagues in Neighbourhoods on a strategy to implement the principles of the intervention in Withington District Centre building on the principles set out in the Levelling UP Round 1 Bid.

There are a number of opportunities in Levenshulme to leverage investment through the use of various Council assets within and around the District Centre, officers are working across directorates and with the private sector to bring forward a number of these.

3.5 **Commercial Development**

3.6 *Creative and Digital Asset Base*

Manchester Creative Digital Assets Ltd: The Development Team plays an important role in the delivery and operation of the Digital Assets which include The Sharp Project, Space Studios Manchester and Arbeta. Manchester Creative Digital Assets Ltd (MCDA) was set up as a company in 2017, a wholly owned company by MCC, tasked with managing, operating and setting the strategic direction of the Digital Assets. Our role is primarily one of supporting MCDA in providing development advice, supporting on lettings and tenancies, providing property management advice and providing support on the delivery of new developments and the continued growth of the Digital Assets.

Arbeta – In 2021/22 the Development Team have continued to support and advise on key lettings, including the completion of c11,000 sq ft to Mission Labs and commencing negotiations with gaming company Playtech for c11,000 sq ft, with an option to a further c5,000 sq ft. Plug and play offices are also regularly let to production companies looking for short term space which utilises vacant space and brings in income.

Space Studios Manchester - the Development Team have worked with MCDA to oversee the design of a third phase of Space Studios up to RIBA Stage 3 and securing Planning consent in March 2022 for an additional 75,000 sq ft consisting of two stages, workshops and offices on the former Fujitsu Tower site. In 2022/23 options will be considered for the delivery of Phase 3.

MCDA assets continue to perform well. The Sharp Project is more than 90% let, with a small turnover of tenants and any vacant office space being easily and quickly re-let with the use of flexible easy in, easy out agreement. Arbeta is around 50% let to permanent tenants (March 2022) with vacant offices being used for production offices and more lettings in the pipeline.

The Development Team continue to support Screen Manchester in their work to support productions looking to film on location in Manchester, often utilising Manchester City Council owned land and property where filming licences are required.

3.7 *Central Retail Park*

Use of the site as a Covid-19 testing centre, site compound for adjacent developments continued as income producing meanwhile uses. In terms of the wider redevelopment proposals, discussions have continued in respect of a large scale requirement for employment use across what would comprise a campus style development. These discussions have not yet come to fruition but there was positive progress over the year.

3.8 *Airport and Airport City*

Manchester Airport continues to develop internationally and is a major economic driver to the Region. The Manchester Transformation Project (MTP) is progressing at pace with expansion of Terminal 2 and remodelling plans for the other terminals in place.

With passenger numbers returning to pre-pandemic levels towards the end of 21/22, the Airport has seen a significant increase in turnover performance that feeds into the rent received by MCC and the GM Districts. Although the rental position during the height of the pandemic was to an extent protected by the 12.5% collar and cap provision in the lease, the return to normal business will ensure the rental position for the coming years will be stabilised, together with the improvement to MCC and the GM District’s shareholder stake.

At 1st April 2021, there were two rent reviews of Airport leases due. The first is in respect of the 'Property Element' of the main Airport lease referenced above. The rent review is still outstanding as the impact of the pandemic on property lettings that are used to calculate the change in the rent, was such that there was very little relevant comparable evidence available. Discussions are on-going with the Airport to agree a rental figure from 1st April 2021, although there is a consensus that a nil increase is likely, largely due to the impact of lockdowns and travel restrictions. The second rent review is in respect of the MCC wholly owned leases of the car park areas to the East of the main terminal area. This was agreed at nil increase, again due to the impact of the pandemic on airport business and loss of revenue from the car parks being largely closed at the time of the rent review. The lease contains an upwards only provision that protected the Council's position from what would have been likely to be a rental reduction.

Activity at Airport City has increased towards the end of 21/22 with a number of new hotels being brough forward at Airport City North. Despite the lack of development activity on the remainder of Airport City North, discussions with the Hut Group are on-going in respect of their proposed new headquarters building and planned ancillary development in subsequent phases. The Airport are engaged with other potential occupiers on other plots, with interest received from the 'Life Sciences' sector.

Airport City South, now known as Global Logistics, is largely complete with occupiers including, Amazon, DHL and the Hut Group who have a significant presence. The Airport are currently assessing a potential expansion of Global Logistics to include land to the South, which is currently falls within the Places for Everyone Plan.

3.9 *Siemens (Didsbury Technology Park)*

At Didsbury Technology Park, MCC has proactively ensured that the Phase 2 land will be developed by Bruntwood into commercial office space (82,000 sq ft) at the forefront of sustainable technologies. The completed scheme will comprise a fully zero carbon workspace building – both embedded in the construction and operationally.

Bruntwood are targeting a 5.5 star NABERS rating and BREEAM 'Excellent'. Upon completion, the building will be one of the most sustainable workplaces in the UK - and the lowest carbon new build workspace - with a targeted 94% of operational energy requirements generated on site. The property, to be known as The Ev0 Building, will be marketed toward tech businesses with a particular focus on those associated with sustainability, net zero carbon, and the low carbon economy.

3.10 *Central Park, Grimshaw Lane and Lord North Street sites*

Heads of terms were agreed with Canmoor Manchester Limited for the disposal of land at Grimshaw Lane, at market value, to enable the development an 11 acre site for a scheme delivering 460,000 sq ft of light industrial space in east Manchester. The negotiations included the purchase and leaseback of land already owned by Canmoor along with the disposal of Council owned land on a 250 year lease. In addition, successful negotiations were concluded with Homes England regarding the value of overage, which was funded by the developer.

Update: the transaction was completed in July 2022.

Lord North Street – The Development Team have overseen the restricted tender process for the disposal of 6.6Acres of employment land at Lord North Street. The tender is being carried out over two stages, with two adjoining landowners submitting successful Stage 1 bids which was assessed on quality, experience and the ability of each to deliver their concept schemes for employment use. Stage 2 bids, consisting of the commercial offer and social value offer are to be considered in 2022/23, with negotiations for the disposal to progress with the preferred bidder. A successful scheme could deliver c160,000 sq ft of employment space in a predominantly industrial area.

Central Park - This is one of the Council's major employment sites. It was developed originally by NWDA in partnership with the Council and NEM with the Council acquiring the whole site from the HCA in 2016. Central Park currently accommodates a number of B1 occupiers, including Fujitsu, Arbeta, a number of smaller occupiers at Madison Place and is also the location for GMP's divisional and regional headquarters. The site has excellent infrastructure and it is considered that the remaining 16 ha (39acres) of undeveloped land offers an excellent opportunity to provide employment space to meet market demand and support growth sectors within the City. The Development Team undertook market research in 2020, conducting discussions with agents and developers with regards the market for employment space and the development potential going forward at Central Park. Consultants, Avison Young, were subsequently appointed to undertake a gap analysis to analyse competing locations, potential uses and employment sectors the business park could accommodate and how best this can be delivered. The site is receiving interest from a variety of developers and the Development Team intends to bring the vacant sites forward to the market in 2022/23.

3.11 **City Centre Development**

3.12 *St Michaels*

Following the agreement to split the development into 2 phases, the developer, Jackson's Row Developments Limited (JRDL), agreed terms with KKR, a major international investment fund, for a Joint Venture Company to deliver phase 1 comprising a commercial development to provide Grade A office accommodation, ground floor retail and F&B, a rooftop bar/restaurant and the creation of the Abercrombie Square public realm space. The Phase 1 lease was entered into in December 2021 with development commencing on site in early 2022.

Discussions are ongoing with JRDL on the delivery of Phase 2, a 42storey tower comprising the city's first branded 5 star hotel, to be operated by Starwood Marriott, under their "W" brand, and serviced residential apartments and additional office and retail/F&B space. JRDL have recently exchanged contracts with Salboy as their JV partner for the delivery of phase 2 and we are working closely with them to satisfy the outstanding conditions to allow the phase 2 lease to be drawn down with a start on sit anticipated in early 2023.

3.13 *Mayfield*

During 2021/22, U+I, the development partner for the Mayfield Development, were taken over by LandSec and this has seen a renewed vigour to progress the first phase of development.

Grant funding had previously been secured to deliver Mayfield Park and this has progressed over the past 12 months with construction now being completed and the park is scheduled to open to the public in September 2022.

We have been working closely with LandSec and our public sector partners, TfGM and LCR, on the commercial agreement for the delivery of phase 1 which will comprise a 581 space multi storey car park, 2 office developments of c75,000 square feet (The Poulton – to be delivered speculatively) and c243,000 square feet (The Republic) as phase 1a and 2 residential blocks as phase 1b. It is anticipated that the car park and The Poulton will be completed and ready for occupation by the end of 2024, with all required enabling works, including works to the London Road junction, also having been completed.

3.14 *First Street and Southern Gateway*

The former Salvation Army site at Wilmot Street, which is earmarked for future development, is being used by Manchester Central Convention Centre under a three year agreement following the reduction in capacity of the service area at the Convention Centre due to the Viadux development being under construction. The use allows vehicles to park whilst waiting for a slot to load/unload for events so the Centre can remain operational.

In the St Georges area, De Trafford's Manchester Gardens continues to progress with completions on the first three phases this year following delays on phases 1 and 2. Negotiations on the fourth and fifth phases are being progressed. Logik Developments hope to commence development on their scheme later this year.

3.15 *St Johns and Water Street*

The redevelopment of the Upper and Lower Campfields markets has progressed and negotiations are continuing with Allie London. Heads of Terms for long leases for the creation of managed workspace have been agreed and we are going through the legal process to complete the Agreement for Lease.

Levelling Up Fund grant of £17.5m has been secured towards the repair and refurbishment works and a soft strip of Upper Campfields has been completed. The Grant Agreement is being progressed alongside the Agreement for Lease to allied London.

Lower Campfields is still let to the Manchester Museum of Science and Industry although a conditional surrender has been agreed to allow the lease to be granted to Allied London and the Museum has completed the decant of the exhibits that were in place.

3.16 *Bridge Street and Parsonage Gardens*

Proposals for the development of Albert Bridge House and the adjacent Council owned surface car park on Bridge Street have been progressed by the new owners of Albert Bridge House, Oval Developments. Discussions have been commenced for the disposal of the Council's interest and designs are at the stage that more meaningful discussions on the detail of a proposal can be progressed. It is anticipated these discussion will be concluded over the next few months with a planning application submitted before the end of 2023.

Terms have been provisionally agreed with Investec for the disposal of a long leasehold interest in the King Street South car park, to the rear of the former Kendalls store and progress is being made to complete the legal documentation to allow this scheme to progress.

Bruntwood have obtained planning consent for the redevelopment of Alberton House adjacent to Albert Bridge House and the team has been involved in the viability assessment as part of the planning/Section 106 process to ensure the Council obtains maximum contributions.

These three developments, together with emerging proposals from Property Alliance Group for Reedham House are anticipated to be brought forward almost simultaneously and will make a real impact on the area and see early implementation of the St Marys Parsonage Strategic Regeneration Framework.

3.17 *Circle Square and Corridor*

Phase 1 and Phase 2 development was completed including the provision of site wide public realm and infrastructure. The final building in the initial tranche of development, No 3 Circle Square, a 220K sq ft building commenced on site scheduled for a 2023 completion. The team will continue to work alongside the developers in relation to the second tranche of development across the site, being the former National Computing Centre building fronting on to Oxford Road.

3.18 *Renaissance*

Negotiations have been concluded with Property Alliance Group (PAG) for the sale of long leasehold interests across the site to enable the refurbishment of the hotel and development of new office accommodation and a residential block. Development is progressing well and the hotel is scheduled to open in early 2023.

There have been some amendments to the original planning consent with further proposed and the Development team has ensured that these changes have been managed in accordance with the terms of the Agreement for Lease.

3.19 *Heron House*

The last remaining refurbished office space has now been let to The Home Office who have taken circa 19,000 sq.ft on the first and second floors at an annual rent of £26.50 per square foot.

In addition to this circa 11,000 sq.ft of office space on the second floor has been leased to a consortium led by Barclays Bank for the creation of the Manchester Digital Security and Innovation Hub (DISH).

Manchester City Council was awarded £5m grant by Greater Manchester Combined Authority to deliver a Digital Security Innovation Hub. The Digital Security Innovation Hub will be located on the second floor of Heron House, the same building as GCHQ and its new Manchester operation. Funding for this project will include the Category B refurbishment of 10,909 sq ft of space on the second floor of Heron House, Albert Square and ongoing operational costs for the Hub. The grant investment is intended to support both the costs of setting up the Hub (estimated at £2m) and contribute towards its proposed 13-year lease term operation. The remaining £3m will be released on an annual basis on achievement of agreed KPIs/OKRs.

The Hub is a key initiative to support Manchester’s ambition to be a top five European digital location. This facility aims to stimulate economic growth and also help make Manchester a trusted and secure place to live, study and work. The overall aim is for the hub to be the focal point and centre of excellence for the city’s growing cyber and digital security sector.

The Hub will be a direct collaboration between academia, public sector, industry, start-ups, and SMEs to develop ideas and solutions with real-world application and enhance public and private cyber resilience and digital security. This collaboration should ultimately lead to the development of new capability and technologies which both public sector and industry partners require in order to maintain and enhance their cyber security. There should be a focus on nurturing entrepreneurs and talent within this field to secure the next generation of innovators, critical to economic recovery and future growth. The Hub will incorporate cyber-related activity in its broadest sense, helping to future-proof the city. It will bring together key partners and collaborations already underway in the growing local cyber-ecosystem, encompassing a broad range of related disciplines such as artificial intelligence (AI), machine learning, data science, behavioral science. The city’s growing expertise in areas such as MedTech, EdTech and immersive technologies present further opportunities for collaboration.

The Hub will facilitate several activities:

- A secure place where academia, private sector, voluntary, community organisations, public sector and their partners are supported to network, share ideas, identify issues / threats and responses around digital security, with a view to collaborating with those who implement responses to limit such threats.

- A focal point for the cyber and digital security sector in GM, enabling collaboration and commercialisation of new products and services.

- A base for entrepreneurs, start-ups and SMEs which is optimised for collaboration, with a secure accelerator hub and sustainable programme to help develop and scale new businesses.

- A programme of supported training and events covering sector trends and topical issues, where ideas and activities around digital security can be developed.

- A focal point to promote, develop, and diversify the digital security sector skills and talent pipeline.

3.20 Housing Development and Major Regeneration Projects

3.21 Project 500

The development of a series of smaller surplus sites by partners within the MHPP for affordable housing has progressed significantly. Site allocations and broad commercial terms are in advanced stages with most RPs involved in the process. The disparate nature of the sites and their development constraints has created some delay to going unconditional on the scheme, but officers are looking to take a report to executive shortly to seek approval to the scheme.

3.22 Victoria North

The Joint Venture with FEC to deliver comprehensive neighbourhood level regeneration through the delivery of 15000 new homes and associated commercial, social and infrastructure development has seen significant progress on a number of fronts. The development team has worked with the project team to get to site on the housing infrastructure fund interventions, with a programme of acquisitions, works licences and access arrangements required to support this scheme. Negotiations continue with FEC on Collyhurst development and a series of high density developments towards the City Centre aspect of the scheme.

Officers are working alongside FEC in relation to the wider land assembly and planning strategies to support the delivery of a deliverable development platform to enable the Business Plan area to be brought forward.

3.23 Eastern Gateway

The team worked alongside the Eastern Gateway project team to negotiate a grant funding agreement with Homes England for significant public realm, site assembly and the Ancoats Mobility Hub. A virtual project team was established to drive this opportunity, create and submit a viable business case through HE to DLUHC to support the planned interventions alongside a series of strategies (land assembly, planning, grant recycling) to give government confidence the scheme was deliverable.

Update – the grant agreement has now been signed (c£30M).

A specific project with that was securing vacant possession of the Poland Street Industrial Estate to support the Ancoats Mobility Hub scheme. The team identified a relocation strategy for Adult Services' Aid and Adaptations service from the Industrial Estate to a Council owned facility to provide vacant possession to enable for the delivery of the Ancoats Mobility Hub in line with the project time constraints associated with the wider Back of Ancoats scheme.

Update – works were completed for the relocation facility in July 2022 and the Council has vacant possession of the site.

Downley Drive, Ancoats & Beswick – Heads of terms were agreed with Great Places Housing Association for the disposal of land to enable the delivery of 68 mixed-tenure, low carbon, affordable housing units.
Update – negotiations were successfully concluded in July 2022 with construction works due to commence shortly afterwards.

3.24 Leisure, Sport and Education

3.25 *Etihad Campus*

Working closely with the Sport and Leisure team, a lease was negotiated with the NHS to enable the use of the North Car Park as a Covid-19 testing centre with the rent received being ringfenced to support future outcomes across the Etihad Campus.

Officers worked alongside the professional team from City Football Group and OVG to negotiate and approve the terms for the redevelopment of part of the Collar Site at the campus for the Co-op Live Arena. This involved advising the MCC directors on the board of Eastlands Development Company Limited in relation to the land deal, negotiating terms for the use by the Arena on event days of the car parking facilities across the campus, as well as progressing new campus-wide management estate and event management arrangements to support the operation of the campus once the new world class events arena has opened.

3.26 *RFL / House of Sport*

The development of the new head office for Rugby Football League Ltd commenced on site, which will deliver office accommodation for 80 FTEs. The office is located at the National Squash Centre, Etihad Campus, where an adjacent project is ongoing to deliver a new House of Sport which will enable Mcr Active to co-locate with a number of regional and national sports governing bodies.
Update – *the RFL office works have been completed with RFL taking occupation in August 2022.*

3.27 *Hyde Road School*

Following the acquisition of the former Showcase Cinema site, the construction of the new Hyde Road School is in advanced stages with completion due in October 2022.

3.28 Capital Receipts

3.29 The Council sold interests in land and building over the financial year 21/22 in the sum of £6.9M. This was below the target for the year (£9M). This variance was primarily a result of not concluding transactions within the time period rather than a reduction in the amount received for assets.

3.30 A number of assets were sold within this period to support the Council's affordable housing objectives. Where the Council disposes of land at less than best price to registered providers to deliver affordable homes, Executive approval is sought to the transaction in accordance with the Council's constitution.

3.31 The Council's capital receipts target for 2022/23 is £9.2M which has had regard to the carry over from FY 21/22 as well as slippage of some schemes from 22/23 to 23/24.

3.32 Investment Estate

3.33 The Council's Investment Estate comprises a wide variety of assets, from reversionary freeholds subject to long industrial leases, actively managed industrial, office and retail units, such as Heron House, Royal Mills and King Street shops to more miscellaneous property such as the residential freehold estate.

3.34 The income billed over 2021/22 was £13.19M and £10.21M was collected. The outstanding debt can be categorised as £1.28M short term aged debtors and £1.7M over 60 days.

The impact of covid on the investment estate debt is being worked through and officers from the development team, alongside colleagues in corporate estate, finance, legal and it's outsourced partners at Jacobs are starting to implement the process of a case-by-case review of debt and the strategy associated with clearing and repayment of these debt, which may include some significant write-down on a sectoral basis.

There are also a number of historic issues with this estate arising from the construction of some of the legal arrangements the Council holds. These include Cathedral Street and Arndale where there is a long running service charge dispute with M&S and Wythenshawe Shopping Centre, where lack of clear and timely information from the tenant causes delay and dispute in determining the rental.

3.35 Jacobs Contract

3.36 The Council outsourced a series of property functions via an outsourcing contract to Jacobs in 2008. Jacobs subsequently won the retender for these services and continue to be the Council's provider of property management services, asset valuations, landlord and tenant services. This contract expires in March 2023, with an option to extend up to a further 2yrs.

The contract value is in the region of £1.13M pa inclusive of a £528K bulk property management services contract.

Performance is managed by way of a series of KPIs set out in the contract. These primarily relate to the rental management, void rates, landlord and tenant issues. An annual statement is required in relation to the delivery of social value under the contract.

Update - The contract requires a clear 6 months notice period to extend and an extension notice for a period of 6 months to the end of September 2023 has been served. During the next 6 months the decision will be made as to whether to extend further, retender the services contract or inhouse the service.

3.37 Asset Valuations

3.38 The Development Team co-ordinates the provision of financial reporting valuations for the Council's entire land and property portfolio. This includes the operational, non-operational, HRA, surplus and development assets, as well as commercial assets where there is a land and property element. The majority of these valuations are undertaken by the Council's outsourced provider, Jacobs, by a cohort of RICS registered valuers. In addition to this specialist valuers are appointed to provide valuations of non-standard assets, such as roadside, petrol filling stations and plant and machinery.

3.39 There has been a renewed scrutiny in respect of the financial reporting of assets and asset values following a series of ongoing public interest reports in relation to (in particular) local authority assets. The 2020/21 asset valuation was completed, but a series of detailed questions and queries were raised by the Council’s external auditors and their experts in respect of a number of assets.

3.40 This was resolved, albeit on a protracted timescale with a number of highly technical issues taking a long time to resolve. We are currently undergoing a similar exercise for 21/22 accounts with an added complication of a small number of assets yet to be valued to enable the Council to close it’s accounts. Officers are working closely with our colleagues in the treasury team to close out these issues and also ensure lessons learned and a more robust approach will be adopted for future years.

4.0 Operational Estate and Facilities Update

4.1 The operational estate comprises of the properties used by the Council to deliver services. The Corporate Estate and Facilities Service is responsible for the operational estate strategy, property advice to services, and acts as the Council's corporate landlord. The service is responsible for the management, repair and maintenance of the Council’s operational estate and the delivery of Facilities Management services including maintaining statutory compliance, cleaning, security, and both planned and reactive maintenance.

4.2 The Council's operational estate portfolio consists of approximately 350 assets across the city, with a total gross internal area of around 344,000 square metres. These range from large offices, national sporting venues such as the Velodrome, and key heritage sites such as Wythenshawe Hall, through to community facilities like libraries, leisure centres, and small pavilions in parks. The Estates Team responsibilities include all operational buildings, unlet land and certain properties of a public nature which are owned by the Council but occupied by other bodies (e.g., the Bridgewater Hall). The Operational Estate excludes schools and housing. The Facilities Management Team responsibilities cover all of the Estates Team portfolio. Additionally, they deliver services to schools and other facilities that are not part of the Corporate Landlord model.

4.3 Operational Estate Update

4.4 The Estates and Facilities Service continues to manage a significant case load, dealing with a wide range of enquiries, projects and initiatives to support Members, community groups, internal Council services and corporate requirements. The updates below provide a flavour of activity delivered since the last Annual Property Report.

4.5 The service has continued to drive the development of the new Gorton Hub. This new building in the heart of Gorton will see Primary Care, the Integrated Health and Care Neighbourhood Team, Job Centre Plus, Gorton Library, the Manchester Adult Education Service and One Manchester co-locate in a new integrated public service building. The scheme is overseen by a Partnership Board, which includes all the public services that will occupy the building.

4.6 Intensive work from all partners has continued across all workstreams to ensure the building and services are prepared for the opening, including a new Integration Workstream that has focussed on how the services within the Hub will work together to best support the local community. During the last year the building has been under construction and is due to complete in October 2022.

4.7 The service is leading the plans for the refurbishment of Hammerstone Road Depot, which will ensure that Hammerstone Road becomes the Council's primary depot. The refurbishment of the site includes replacement of the roof, new mechanical and electrical installations, and the creation of new accommodation in the main shed. The scheme will also remove all the life expired portakabins on site, involve demolition of the poor quality Coca-Cola building, as well as ensuring that the hard standing across the site is fit for purpose. The scheme will enable the rationalisation of the depot estate, with teams moving over from Hooper Street to the newly refurbished Hammerstone Road facility.

4.8 The impact of the pandemic has caused a delay to the project, with an initial hold period followed by a period of review with the stakeholders and redesign work. However, the project is now well into the final design stages, with a logistics plan in place to support the operation of the depot during refurbishment. Decant of the main Locomotive Shed is complete, and Biffa, the MCC waste management contractor, is now operating from their new temporary accommodation on the site. Enabling works, including demolition activities, have been taking place throughout the year and start on site for the main works is expected to commence following finalisation of the main contract in October 2022.

4.9 The Estates and Facilities Service continue to work closely with both Manchester Health and Care Commissioning (MHCC) and the Manchester Local Care Organisation (MLCO) partnerships to deliver medium- and longer-term estate capacity for their HQ functions. During the pandemic the team worked with MHCC to review their plans for reconfiguration across both Parkway 1 and 3. This included a radical rethink of the purpose of the office for work, and three separate work zones were created to allow collaborative working, individual working and meeting space. They were able to exit Parkway 1 entirely and consolidate all staff into a single site at Parkway 3, reducing their financial commitments and freeing space for other parts of the health system.

4.10 Capacity was created in the Town Hall Extension (THX) through the Estates element of the Our Ways of Working programme, and the MLCO HQ functions relocated from Bridgewater House to a dedicated wing on level 4 of the THX. This co-location with the THX based Adults Social Care teams continues to support H&SC integration.

4.11 Longer term (post 2024) plans are ongoing to create an integrated H&SC HQ base for the Manchester based parts of the recently formed ICS within the THX. This will facilitate more joined up working across the system and will be planned to coincide with the Old Town Hall reopening.

4.12 Rationalisation of our estate is ongoing. Following the successful exit of Universal Square in March 2021 (saving c£210k p.a.), Bridgewater House and Peter House were vacated this financial year reducing pressure on the TH Decant budget by c£1.184m between March 2022 and October 2024. To achieve this we took opportunities created through the Ways of Working programme, in addition to the planned capacity at Alexandra House, enabling Highways, the MLCO and Unite and Unison to be moved into the Town Hall Extension. The Adults MASH, the contact centre element of the MASH and Contact Manchester teams moved across to Alexandra House. This brought all teams under the Customer Service and Transaction organisation together. There was also capacity to move the 'control room' function of Adults established during the pandemic to Alex House. Other rationalisation activity includes relocating the Central Neighbourhoods team into Alexandra House, allowing GLL to use the entire building at Denmark Road; relocating Northwards out of their rented accommodation at their former HQ, Hexagon Tower (saving c£370k p.a.). The housing teams were accommodated in the Town Hall Extension and the Housing Offices in North Manchester.

4.13 Ongoing estate rationalisation and optimisation will continue to support the Medium-Term Financial Plan, both in terms of disposing of surplus assets and generating income from surplus capacity within operational buildings. Rationalisation of surplus assets, informed through the SAMP (described in Section 2) will support savings in carbon emissions and running costs, especially in light of the current utilities market, and ICT infrastructure costs.

4.14 The Estate Team have continued to support to the VCSE sector through the Community Asset Transfer programme. The team have completed one asset transfer, of Barrington Street Luncheon Club to The Beacon Centre CIO in November last year. The building will become a community hub to deliver health and wellbeing activities, to run a Community Grocery, luncheon club for the elderly, a social cafe and a breakfast club for children, as well as spaces for community hiring.

4.15 There are also several other community asset transfers that are currently progressing through the legal process for completion, which include: 115 Briscoe Lane to Yes Manchester CIC, who offer a range of services, including employment opportunities, training, business advice, money advice and voluntary experience to local residents throughout North Manchester; Cheetham Youth Action (AKA Welcome Centre) to be let to the Wai Yen Society, to provide a range of services such as welfare advice, adult education, case outreach, work club provisions, wellbeing activities, volunteering opportunities to Manchester residents; Didsbury Park Sure Start Centre occupied by Didsbury Good Neighbours for the provision of services ranging from older people activities, health and wellbeing events, family and children's provisions to baby massage sessions; Gorton Community Centre occupied by Healthy Me Healthy Communities, a Manchester based social enterprise offering services such as a community grocery, foodbank, cooking and wellbeing workshops, accredited learning and volunteering programme; the former Greenbrow Road Nursery occupied by the Tree of Life group who offer services including furniture and clothing reuse services, a health and wellbeing programme, café, foodbank, pre-employment support and volunteering scheme; Hulme Community Garden Centre where the group have recently built an eco-building on the site and expanded their café area.

4.16 The team continue to work with colleagues in Parks and the Neighbourhood Teams identify properties as well as groups who are suitable for a Community Asset Transfer to better support the local community.

4.17 The Estates and Facilities Service is supporting efforts to adopt new ways of working: Through the Our Ways of Working programme, the team focus on inclusion, wellbeing and ease of use in our office spaces within a citywide context of financial and carbon efficiency and connecting staff to our neighbourhoods.

4.18 In-person collaboration and connection are critical to building successful teams and achieving positive outcomes. The Estates and Facilities Service have created new shared collaborative workspaces at Longsight District Office, on level 1 of Etrop Court and on the ground floor and level 7 of the Town Hall Extension.

4.19 In addition, direct work has been carried out with teams and 12 service areas have had redesigned office space. 1100+ staff now have direct access to broad variety of flexible workspaces. New office layouts for 11 more services areas are currently planned for 2022/23 – over 600 staff – along with more shared spaces including a desk area in the Town Hall Extension allowing for touchdown or focussed working and work with Children's Services teams at Harpurhey District Office.

4.20 Initial feedback from managers and staff on the new office layouts has been broadly positive. A formal feedback process, combined with regular assessments of how offices are being used, is being designed, however by way of example, feedback from a manager at Longsight District Office includes: ""The changes made to the office have been brilliant... when we have had other agencies in people have commented on how smart it looks. Interview Room 1...feels actually welcoming and comfortable when we have families in and takes away some of that power imbalance by being in a relaxed and comfortable environment. People have valued having more flexible places like the break out areas and they get well used... It is good to have a range of options outside the team bay to meet with people and talk.... The wifi and the computer equipment has also been a big positive change...people are really enjoying being able to use different spaces in the office and be more flexible... My impression is that it has improved productivity. When our office got sorted out and done up, it also made staff feel really valued, listened to and I would say more likely to stay with us'

4.21 Alongside these larger initiatives the team have facilitated a number of other priorities for the organisation. This includes work alongside Manchester Adult Education Service and Development colleagues to review future options for Greenheys Adult Learning Centre; the first phase of a significant consolidation of the Equipment and Adaptations Partnership into a single site at Philips Park Road, enabling the exit of Poland Street for the wider Ancoats Mobility Hub scheme. The second phase will see Tulketh Street and Fulmead also vacated in 2022/23 bringing these teams together at one site; work with the Youth Justice service to acquire a new base in the north of Manchester in Harpurhey, including a light refurbishment to make it fit for purpose.

4.22 The estates team worked with colleagues in libraries and leisure to submit an application to the DLUHC Changing Places fund. This fund was established to support the creation of Changing Places Toilets in existing buildings or facilities and to improve access to leisure facilities for those with severe disabilities. MCC were awarded the full amount requested of £180k on a match funding basis. This will create Changing Places Toilets at six key sites across the City: North City leisure centre and Heaton Park in the North; The People’s History Museum and HOME in central; and Wythenshawe Forum and Wythenshawe Park in the south of the city. This will provide critical facilities for those residents in the North and South of the City where the only existing registered facilities in public spaces are at Abraham Moss leisure centre and the airport. People with severe disabilities will have improved access to leisure and library facilities, green open spaces as well as retail and other local amenities. The facilities in the City Centre will improve the accessibility of these two key tourist attractions, and as part of a larger network of city centre CPTs will support access and inclusion to a broader range of Manchester’s highly regarded cultural facilities.

4.23 Internally we continue to ensure best value for the Council working with procurement to retender our relocations contract in March 2022 and starting the initial work to retender our furniture supplier contract in January 2023.

4.24 Facilities Management Update

4.25 This year Facilities Management have delivered in the region of 30,000 helpdesk activities, with 97% of reactive repairs completed within agreed timescales. FM continue to ensure building compliance with a comprehensive PPM programme and over 99% of activities completed on schedule.

4.26 As part of the ongoing development of the helpdesk, FM have worked with contractors, large and small, to integrate their business to the helpdesk, which has increased the partners working within the system by 500%. This allows a streamlined approach to sending work requests and gaining real time information updates that benefit the FM team and building users. It also improves financial efficiency, with final year end accounts for these contracts completed in full on the last day of the financial year. FM have started to embed this as a stipulation of service level agreements for any new contracts.

4.27 FM continue to work with partners in Estates and Capital Programmes to help transition construction projects to live operational sites, helping to assist with good operational management that meets building users' expectations of safety, comfort, and secure working environments.

4.28 FM support the Zero Carbon Estate Programme as part of the Equans/MCC zero carbon partnership. With capital schemes, FM are helping to identify opportunities, assist contractor deployment and ensure ongoing lifecycle maintenance requirements are effectively managed. FM are developing programmes of maintenance to ensure that component replacements are carbon efficient, helping to meet carbon reduction targets with all available opportunities.

4.29 In support of the Zero Carbon Estate Programme FM are working on a smart operations initiative. This includes the development of Microsoft applications that remove previously paper based forms, with the goal of adapting all paper operations into an electronic format. A good example is vehicle inspections, that in the past were recorded manually and required management review for repairs, which has been replaced with the vehicle inspection application. Vehicle users now log the inspections on their mobile device and any repair requirements are automatically emailed to the responsible person, with all records held electronically in real time. FM have rolled this out across many areas and now have applications for key management, locker management, lost property, site visits, site inspections, equipment inspections and safety inspections that log information onto a compliance calendar automatically updating the next inspection due dates.

4.30 As part of social value commitments, FM's principal maintenance contractor Equans has provided 755 volunteering hours, 99 hours of school-based support, 76 hours of community support, two energy workshops, five helping hands projects and two charity events. 247 volunteering hours were dedicated along with almost £5000 of materials to help refurbish the Longsight Youth Centre, which supports vulnerable and hard to reach groups. Over £1800 was collected in charity donations that helped to support the local homelessness charity Coffee 4 Craig, which operates every day providing respite from the streets, offering showers, clothing, toiletries, and warm meals.

4.31 FM are working on a pilot scheme for smart buildings of the future in partnership with Equans, which is looking at connecting systems and services to cloud-based platforms, allowing automated alarms and remote management of buildings. This work is at an early stage and updates will be available as it progresses.

4.32 During the period April 2021 to Jan 2022 FM's principal security contractor Mitie employed 167 officers to successfully deliver 5100 hours of security provision per week across 48 locations. They responded to 2,318 alarm call outs, supported council officers on nine evictions, managed the arrival of four air ambulances to critical incidents and carried out 20,669 visits to inspect premises across the estate.

4.33 Working with Mitie over the past year, the service has introduced new processes and service improvements. This includes carrying out a comprehensive review of risk management across the estate to renew all site instructions and refresh officer training to ensure a robust delivery of the council's business continuity processes.

4.34 Mitie have completed a programme of electric vehicle rollout, with 100% of the vehicle fleet now electric. They have continued a staff award programme and funded this to the value of £8,000 a year.

4.35 This year a project was initiated, the desired outcome to ensure all CCTV (Closed Circuit Television) systems and processes identified within MCC Code of Practice (based upon the Biometric and Surveillance Commissioners 12 Principles) are adhered to. It was agreed that Facilities Management are best positioned to hold management for this function under their Head of Service as the strategic owner. The project will bring all the council CCTV Systems under the management of FM and ensure that the organisation meets the required obligations of systems and process requirements to current best practice and legislation.

4.36 Mitie's social value commitment for the year included 623 voluntary hours, these were split across several Manchester charities and priority groups including: Life Share, One Manchester, Royal Manchester Children's Hospice, Community Grocery, Oasis Aspinall School, Manchester Mind, Shelter and Wood Street Mission. Donations of easter eggs, clothing, food, toys, and cash were provided, equating to a total monetary value of approximately £7000. Mitie have also helped with litter collections, removing over 127 bags of litter from our parks.

4.37 This year both of FM's principal contractors Equans and Mitie are finalists in the Institute of Workplace and Facilities Management Impact Awards for their social value programmes.

4.38 Asset Management Programme Update

4.39 Management of the City's operational estate has developed considerably since the rollout of the corporate landlord model in 2015. The core of the model remains an evidence-based approach, supported by accurate and reliable asset records, to plan how the Council prioritises capital investment to meet statutory, operational, environmental and other core corporate objectives.

4.40 The Estates Asset Management Programme includes sixty-nine properties currently in scope for design and works during the year. The budget for this is £13m in 2022/23.

4.41 Major projects underway this year as part of the Asset Management Programme include: remediation and refurbishment work at Manchester Art Gallery and Queens Park Gallery; renewing end-of-life plant and other building assets at the Regional Athletics and National Squash Centre; replacement air handling units, and renewal of internal fabric and external drainage at the National Football Museum; replacement of the electrical installation and renewal of the lifts at the Sharp Project; roof replacement work at Heaton Park Farm Centre; internal and external fabric improvements at the Denmark Road

Active Lifestyle Centre; tanking work in the service corridor at the Abraham Moss Complex and end-of-life asset replacement at Chorlton Library.

4.42 Other examples of medium and smaller scale projects either in design of underway in the current year include works to: The Place at Platt (roof and fabric works), 103 Princess Street (structural works), Fletcher Moss (The Croft), Heathfields (replacement soffits), Longford Centre (electrical works), Newton House Adult Learning (roof works), Burnage Community Centre (fabric work), and the former Levenshulme Library (heating system).

4.43 The programme this year also includes working with Health and Safety in reviewing the annual, statutory fire risk and asbestos reports, and developing a programme of works replacing and updating property assets as required. Thirty five properties are included in the first phase of these works.

4.44 The Council is the owner of a significant number of heritage properties in Manchester. These properties generally require a higher level of development and planning before any work commences, and works are generally higher due to a requirement for conservation work. Examples on work underway on heritage properties include Heaton Park Horticultural Centre (rebuilding the perimeter wall), Clayton Hall (CCTV improvements), Debdale Park barn (roof replacement) and Victoria Baths (fire alarm improvement).

4.45 The budget for AMP this year has been increased to ensure that backlog maintenance across a range of Early Years settings could be addressed. Thirty-five properties managed by Early Years are included in the programme with essential safety works prioritised in twelve properties in 2022/23.

4.46 During the year, the Schools Team have moved from Education Services into Estates. The team of two oversee and support maintenance to the sixty schools that remain in scope for asset replacement work. The team have moved into the Estates and facilities Service to benefit from synergies between the Asset Management and Schools Maintenance Programme and to enable the team to benefit and share experience through being closer to Estates and Capital Programmes. Governance of the programme remains through the Education Service. For information, the Schools programme 2022/23 includes work to fifteen properties at a cost of £5.8m

4.47 Zero Carbon Estate Programme Update

4.48 The emissions associated with the Council's operational buildings are reported against in the Buildings & Energy section of the Climate Change Action Plan 2020-25 (CCAP 2020-25). The CCAP 2020-25 requires carbon emissions from the Council's buildings to reduce by a minimum of 4,800 tCO2 per annum by April 2025. For context, the target of 4,800 tCO2 is approximately equivalent to the combined total annual emissions of the Town Hall Extension, Manchester Aquatic Centre and Manchester Art Gallery combined.

4.49 A Zero Carbon Estate Programme has been established to oversee the delivery of a wide range of energy efficiency and low carbon energy generation measures throughout the estate. A team consisting of a full time Programme Manager and Project Manager has been established within the Estates Team to support client-side project development and delivery. A core delivery team within Capital Programmes has also been established consisting of a Senior Project Manager, Quantity Surveyor and Technical Lead.

4.50 The Zero Carbon Estate Programme is being delivered in several different phases. The first phase of works was developed on a spend to save basis and funded with MCC Capital Funding. In total £6.6m of carbon reduction works were identified, with a forecast carbon saving of circa 1,400 tCO2 per annum and a payback period in the region of 10 years. Delivery of this initial phase of works was delayed slightly by the first COVID-19 lockdown but works are now largely complete.

4.51 The programme focused on Leisure Centres, as they are some of our most energy intensive buildings, and eight were upgraded with energy conservation measures as part of the Zero Carbon Estate Programme: Wythenshawe Forum; East Manchester Leisure Centre; Hough End Leisure Centre; Arcadia Sports Centre; Moss Side Leisure Centre; North City Family and Fitness Centre; Belle Vue Sports Centre; and Manchester Tennis and Football Centre. The improvements cover a range of measures such as upgrading to LED lighting, improving lighting controls, upgrading Building Management Systems, and installing variable speed drives, as well as solar panel installations at seven of the sites, and an energy efficient combined heat and power plant at the Wythenshawe Forum. In addition to the leisure estate, the lighting in the Town Hall Extension, our largest building, was upgraded to LED, and new controls installed. The large buildings at the Space Project and Sharp Project are also being improved, the former with a large solar panel installation, the later with solar panels, LED lighting and a new building management system. Throughout this phase of work, 2.5MW of renewable energy generation capacity was installed, and 9,000 LED light fittings were installed.

4.52 The second phase of the Zero Carbon Estate Programme is a project called the Unlocking Clean Energy In Greater Manchester (UCEGM) Project. This is a consortium of partners including Energy Systems Catapult and five Greater Manchester local authorities - Manchester, Rochdale, Salford, Stockport, and Wigan. The project has two key parts, first the installation of renewable generation assets partly funded by the European Regional Development Fund grant, and second, the development of new business models to promote self-consumption of energy by the Local Authorities. The aim of these business models is to improve the business case for renewable energy generation projects by improving the value of energy generated, lowering the cost of energy supply and reducing the carbon intensity of electricity in the local area.

4.53 Through its participation in this project, the Council successfully attracted over £1.2 million of European Regional Development Fund which is being matched to the Council’s capital investment to deliver renewable generation assets. A proposal has recently been submitted to the fund administrator to deliver Solar Car Ports at the National Cycling Centre, if approved this work is anticipated to complete by June 2023.

4.54 The third phase of the Zero Carbon Estate Programme was a bid to the Public Sector Decarbonisation Scheme 01 (PSDS). This scheme is run by the Department for Business, Energy and Industrial Strategy (BEIS) and administered by Salix. The PSDS provides capital grant funding for energy efficiency and heat decarbonisation projects in non-domestic public sector buildings.

4.55 Working with partners in the Greater Manchester Combined Authority, MCC successfully secured £19.67m of funding from Phase 1 of the PSDS to invest in a range of heat decarbonisation, energy efficiency and generation projects. The funding was approved in March 2021. Projects across 11 buildings completed in June 2022 and are expected to save 1,700 tCO2 per annum. The buildings included in this phase of work are summarised in the table below. Again, Leisure Centres were a key part of the bid as they are some of the council's most energy intensive buildings. The technologies included in this phase of work include Air Source or Ground Source Heat Pumps, solar panels, and battery storage systems.

PSDS Phase 1 Buildings	Forecast tCO2 Saving PA
Arcadia Leisure Centre	58
East Manchester Leisure Centre	119
Hough End Leisure Centre	80
Moss Side Leisure Centre	55
North City Leisure Centre	182
Space Studios	33
Sharp Project	53
Town Hall Extension	-
Wythenshawe Forum	188
Manchester Aquatic Centre	505
National Cycling Centre	354
Zion Arts Centre	79

4.56 In April 2022 the Authority received confirmation it had been successful in its bid for further PSDS funding. The bid was for c£4.47m of grant funding, with MCC match funding of c£1.43m, for a total scheme of c£5.9m. The bid included heat decarbonisation, energy efficiency and low carbon energy generation for eight buildings, including Arbeta (MCDA), National Football Museum, Harpurhey District Office, Denmark Road Active Lifestyles Centre, Claremont Resource Centre, Didsbury Library, Hall Lane Resource Centre, and The Place at Platt Lane (Library). The total carbon saving associated with the bid was 680 tCO2 a year. These projects are in flight and working to a very tight deadline of March 2023 for completion.

4.57 The Zero Carbon Estate Programme is a long-term investment and commitment to improve the performance of our buildings. Work is ongoing to develop and commission a pipeline of new projects, examples of which are described below.

4.58 A study is already underway exploring the feasibility of installing a roof mounted Solar PV system on the BMX section of the National Cycling

Centre. If feasible, this could see a 600 kWp system installed, saving circa 100 tCO2 per annum.

4.59 A feasibility study has been completed to install LED lighting at the Bridgewater Hall, with an expected carbon saving of around 179 tCO2 a year. Further proposals are in development to upgrade lighting to LED at Central Library and Etrop Court. Officers are developing a rolling programme of LED light replacements in our smaller buildings, to be delivered by our Facilities Management maintenance provider, Equans.

4.60 A programme of work is being developed to expand and improve the use of Building Management Systems across the estate. A building management system (BMS) is a computer-based control system that controls and monitors a building's mechanical and electrical equipment such as ventilation, lighting and power systems. Systems linked to a BMS typically represent 40% of a building's energy usage; if lighting is included, this number approaches to 70%. Therefore, BMS systems are a critical component to managing energy demand.

4.61 To date the Zero Carbon Estate Programme has focused largely on the most energy intensive and largest buildings in the estate, to achieve the maximum carbon reduction benefit in the shortest time. So far, in total c.3,100 tCO2 reduction per annum has been achieved. However, most of the estate (in terms of quantity) is made up of a high volume of smaller buildings in the community. Work is underway with the Council’s maintenance contractor, Equans, to commission a programme of energy audits across the whole estate. This data is expected to inform the long-term strategy for investment, the total scale of opportunity and key challenges.

4.62 The Zero Carbon Estate Programme is fully embedded into the MCC Climate Change Action Plan 20-25, forming part of the Buildings and Energy workstream. The Programme reports into the Zero Carbon Coordination Group, and activity from the Programme will be a key part of the Climate Change Action Plan Annual Report, due to be presented to the Environment and Climate Change Scrutiny Committee in September.

4.63 The programme will continue to work with colleagues and partners to identify and take advantage of any external funding opportunities that may emerge. Experience to date is that very little notice of funding opportunities and eligibility criteria is provided, application windows are very short and deadlines for the delivery of works are hard to achieve. However, these opportunities are seen as particularly important to enable the Authority to accelerate plans to decarbonise heat which accounts for roughly half of all building emissions.

4.64 Systems and Records Update (CPAD)

4.65 CPAD is the Council Property Asset Database, the system that holds property data and delvers the FM helpdesk. The contract with Concerto for support and provision of the CPAD system was renewed on 1st January 2022 for 5 years, with the option to renew annually from years 5 to 10. This provides the security of maintaining an existing system for at least another 5 years, alongside the option to explore other alternatives after that time.

4.66 A report on the ownership of assets at a ward level is included on the agenda for the Committee today, and this report sets out how CPAD can support Members with information on asset ownership within their wards, including a demonstration of the system.

4.67 The CPAD Team have been focussing on system improvements and data quality in the last 12 months. The new user interface was rolled out successfully and has improved system functionality when remote working on smaller devices. Work is underway to review site categorisations to fit better with current reporting requirements, as well as supporting the Strategic Asset Management Plan. The Team is also working closely with colleagues in Health and Safety to set up built in Fire Risk Assessment and Asbestos modules to better manage how we record and report on this data in the future. The team have implemented 'supplier portals' for Grounds Maintenance and Window Cleaning activity, allowing contractors to be sent and fully manage work orders through the CPAD system.

4.68 The team continues to produce site boundary plans for the operational estate and have also been working with Salford City Council to develop their Case Management module, which will allow them to manage all of their property case work through the Concerto system in the same way as MCC do.

4.69 The Records Team have been involved with several key projects, providing detailed ownership checks for Wythenshawe Town Centre, and also for two potential housing development projects: Wadeford Close Development Project and This City Phase 2. The team have also provided detailed ownership information for 340 water course sites which have been identified as potential flood risk sites across the city.

4.70 The work above has been undertaken alongside the business-as-usual activity of providing information to the organisation in respect of property ownership, transfers and other property transactions. In 21/22, the Records Team added 1068 additional transactions to CPAD, 960 additional sites; completed 5031 site histories; and answered 1266 enquiries. The team continue to provide services to other departments and members of the public with a range of enquiries.

4.71 Town Hall Project update

4.72 Corporate Estates and Facilities continue to support the OTH Project with two of its project managers working as part of the core client team. The delivery of the restoration programme is now well advanced, and construction is at its midpoint. The management contractor, Lendlease, continues to experience programme challenges associated with carrying out building work in a Grade I listed national landmark building. As more and more of the Town Hall is uncovered there are discoveries made that require a step change in progress and rethinks of method and sometimes design. Significant progress has been made in the last twelve month with a number of large-scale construction interventions in the fabric of the building completed. These include five new lift cores, removal of the old kitchen and the creation of space for a new commercial production kitchen immediately next to the Great Hall. Structural works to the lower ground floor are complete in readiness for the mechanical and electrical instillation to begin. Work to fabric and finishes of the building is also in full flow with new plaster going onto walls at a rapid rate progressively moving up the building floor by floor. This is in preparation for the decorations package to start work. Outside the building the scaffold now encompasses the Town Hall in its entirety including over the roof which is soon to be removed.

4.73 Progressing alongside the construction programme is the preparation for practical completion and the city being handed back the building. All the stakeholders who will be occupying the Town Hall in the future have been to site and had the opportunity to review the space they will occupy in the last twelve months. There has been ongoing and regular dialogue between the project and future users of the building as part of the ‘soft landings’ process. Planning is currently taking place to establish the strategy for the building operating model and the likely cost implications of what this will be when the Town Hall moves into business-as-usual state. Manchester has made a considerable investment in this landmark building and plans are taking place to ensure that this is protected. The building when it returns, although may look similar from the outside, will have been totally renewed inside.

4.74 A full update on the Our Town Hall Project is due to be presented to the committee in October.

5.0 Recommendations

5.1 This report sets out an update on property activity since the last Annual Property Report in May 2021. The work of the property teams makes a critical contribution to delivering the Our Manchester Strategy by driving growth, and directly supports the Corporate Plan by enabling service Directorates to achieve their priorities, ensuring the effective management of the estate to support a well-run Council, and reducing carbon emissions.

5.2 The Committee is recommended note and comment on progress to date as set out in the report.

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Manchester City Council
Report for Information

Report to:	Resources and Governance Scrutiny Committee – 6 September 2022
Subject:	Ownership of Assets
Report of:	Head of Estates and Facilities, Corporate Core Head of Development, Growth and Development Directorate

Summary

This report provides an overview of CPAD, the Council's property system, the training available for Councillors on the system, and the role of the Records team in supporting ownership queries. The report also references work to update records and develop a strategic asset management plan.

Recommendations

That the Committee note and comment on the information to date as set out in the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The Council's property and land assets are a significant area of focus in efforts to achieve the zero-carbon target for the city. Whilst the issues addressed in this report do not have a specific impact on achieving the zero-carbon target for the city, the wider management of the estate and efforts to reduce carbon emissions are described in the Annual Property Report, elsewhere on the Committee's agenda.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The property teams provide professional services and leadership to drive effective place making and facilitate the economic growth of the City, by creating the necessary conditions needed to promote strong growth in commercial, residential, retail and leisure related development, stimulating new employment, new homes and broadening the City Council's tax base.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The property teams play a key role in leveraging economic growth from the Council's land and property assets, including enabling commercial developments that drive growth in high-skill sectors such as the digital, cyber, creative content, cultural, advanced manufacturing and professional service sectors.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The property teams work proactively with businesses, residents and partners to ensure developments contribute positively to place making and meet local needs to deliver neighbourhoods people want to live in. This includes supporting developments that promote the right mix of good quality and affordable housing for Manchester residents.
A liveable and low carbon city: a destination of choice to live, visit, work	The property teams play a key role in supporting Manchester's commitment to be a zero carbon City by 2038 by reducing the Council's direct CO_2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings.
A connected city: world class infrastructure and connectivity to drive growth	The property teams work across the Council and with partners to ensure that development activity both drives and reflects the connectivity and infrastructure that underpin sustainable economic growth.

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Background documents (available for public inspection): None

1.0 Introduction

1.1 The Resources and Governance Scrutiny Committee have requested a report on the ownership of assets which will include how Councillors can determine who owns what within their wards. This report sets out how the Council's CPAD system and officers in the Council's property functions can support this request.

1.2 The CPAD system is the Council's Property Asset Database; a web-based system known commercially as Concerto, which is utilised primarily by Corporate Estates, Development and Facilities Management to manage our land and building portfolio. CPAD plays a key role in the management of the property estate, from compliance and building maintenance through to managing ownership information and property case work.

1.3 The Council's assets are divided into 4 main areas. The Corporate Estate comprises assets held for service delivery or in the support of indirect service provision for social purposes (such as Community Asset Transfers). The school estate sits alongside this, separate to the Corporate Landlord model. The Commercial Estate contains a variety of interests including those held for a commercial return which includes the Housing Revenue Account, those for development and those to provide housing through refurbishment or redevelopment. Lastly, the Council holds a large number of miscellaneous land assets, some of which are held as open space and some of which are reviewed for potential development. The data held on the CPAD system supports an informed and robust day to day and strategic decision-making process, governed primarily by monthly Strategic Estate and Asset Board and Capital Board meetings.

2.0 Members' Use of CPAD

2.1 Members have been able to access CPAD since January 2017. Since 2017, training and access has been offered to all new Members, with refresher training available to all Members as required. Any Member requiring new or refresher training should contact CPAD@manchester.gov.uk. Members who have been on training will be set up with read only access to operational, investment and school site records within their wards.

2.2 The Council's property assets can also be accessed via the Open Data pages on the Council's website, which can be downloaded and filtered by ward from this address: https://www.manchester.gov.uk/open/downloads/download/155/local_authority_land_2022

2.3 Whilst Members are encouraged to make use of the CPAD system, it is recognised that the system has been developed for use by officers who work with system on a daily basis and are therefore familiar with the structure and operation of the system. Members who only interact with the system occasionally may require support to access information relevant to their specific needs. Members are encouraged to contact the Corporate Estates

Records Team for any individual ownership enquiries: corporate.property.records@manchester.gov.uk

2.4 Member enquiries are prioritised within a 5 working day SLA (the standard is 10 days), or a direct response on the same day if flagged as urgent.

2.5 At the Resources and Governance Scrutiny Committee on the 6 September 2022, officers will be available to provide a demonstration overview of the system from a member perspective, detailing how to access ward site data.

3.0 Project Work

3.1 The Records Team, in conjunction with the CPAD Team, are continually working to update system functionality and reduce data gaps within the system. Two examples of this project work are the Residual Land Project and the SAMP.

3.2 Residual Land Project: this is a workstream utilising mapping and records to identify unused or under-utilised parcels of land within the city. Work is undertaken on a ward-by-ward basis and as the project progresses, detailed and accurate ward plans can be produced and shared with relevant stakeholders.

3.3 Strategic Asset Management Plan (SAMP): this project sets out to improve and provide a more consistent and robust decision-making process around land, property, investment and development decision making, through a single overarching decision making process within the Council. This in turn will provide the Council with improved and more consistent governance and assurance.

3.4 Both the Residual Land Project and the SAMP contain key workstreams looking at improving the quality of the data within CPAD, which in turn will allow bespoke and accurate ward by ward ownership plans to be produced on request. Currently, plans are time consuming to produce, and are not an effective way to understand ownership as a whole. However, as both projects progress, we will be able to assist Members better with the production of high-quality ownership plans without long lead times.

4.0 Recommendations

4.1 The Committee is recommended to note and comment on the functionality of the CPAD system and availability of the Records Team to support Members with ownership enquiries as set out in the report.

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Manchester City Council
Report for Resolution

Report to:	Resource and Governance Scrutiny – 6 September 2022 Executive – 14 September 2022
Subject:	Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26
Report of:	Deputy Chief Executive and City Treasurer

Summary

The report outlines the projected outturn position for 2022/23, based on the latest expenditure and income activity as at the and future projections. It also outlines the updated forecast position for 2023/24 and beyond following a full review of income and emerging pressures.

Recommendations

The Resources and Governance Scrutiny Committee is recommended to note the report.

The Executive is requested to:

(i) Note the global revenue monitoring report and forecast outturn position which is showing a £20.1m overspend.
(ii) Approve the use of unbudgeted external grant funding (Appendix 2).
(iii) Approve the use of budgets to be allocated, (Appendix 2).
(iv) Approve the use of reserves (Appendix 2)
(v) Note that an urgent key decision has been published in relation to agreeing the energy contracts (para 2.8)

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	The effective use of resources underpins the Council's activities in support of its strategic priorities.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.

Risk Management – as detailed in the report.

Legal Considerations – there are no specific legal considerations contained within the report.

Financial Consequences – Revenue

The report identifies a forecast overspend of £20.1m for 2022/23, based on activity to date and projected trends in income and expenditure, and includes the financial implications of COVID-19, government funding confirmed to date and the impact of inflation and the proposed pay award on the financial position.

The first part of this report focuses on 2022/23, however, the implications of COVID-19 and record levels of inflation on the Council's cost based will have a significant impact on the Council's finances for a number of years. With the scale of funding pressures and future resource constraints, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

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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.

Revenue Budget Report - Executive Meeting February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 - Executive Meeting February 2022

1. Introduction

1.1. This report provides an overview of the Council's current financial position for 2022/23. The forecast overall position for 2022/23 is an overspend of £20.1m.

1.2. Since the budget was set, there have been several significant changes that are impacting on the Councils financial position including:

- Global supply shocks;
- tax increases,
- interest rate rises,
- unprecedented levels of inflation growth,
- a higher than expected pay offer for employees,
- a forecast significant economic downturn
- instability in the political leadership in the UK government and
- a potential emergency budget as early as September, which could lead to policy changes and a change the funding outlook for Local Government.

1.3. This is feeding through into the Council's cost base through contractual uplifts, new contract prices and the pay award, as well as potential pressure on our resource base and commercial activities. It is considered unlikely that there will be further support from the Government to support the Council's position this financial year.

1.4. As well as the current year overspend there remains a significant and increasing budget shortfall for 2023/24 onwards. Budget cuts and savings options are being developed by officers to be considered by scrutiny committees in November. The position will be brought back to the Executive in December to consider the longer-term position and proposed cuts and savings to ensure financial sustainability.

2. Financial position 2022/23

2.1. The current forecast is a £20.1m overspend, a deterioration of £15.6m since the last report to Executive in July. This is mainly due to the announcement of a higher than expected one year pay award offer for 2022/23 (£9.5m), additional utilities inflation (£3.9m), higher than expected price inflation (£3.6m) and other pressures, largely relating to income shortfalls (£3.4m).

2.2. It is positive that the main demand led services of Adults, Children's and Homelessness are projecting to outturn at or below budget – which puts us in a better position than many other councils and reflects the investment in prevention strategies over the last few years.

2.3. The budget is prepared on the basis of the best information available at the time and a robust consideration of the risks which may emerge. This results in a corporate contingency and reserves for specific risks being made available which are allocated to directorates in year, once the requirements are clearer.

2.4. The budget was approved in February 2022, prior to the Russian invasion of Ukraine. When the budget was set, inflation was expected to peak at 5% in the summer. It is currently 10.1% (CPI July 22) and the OBR are predicting it could be in excess of 13% later this year. The 2022/23 budget recognised that inflation would be higher than previous years and therefore included £22.4m for pay, utilities and price. Inflationary pressures in 2023/24 are currently forecast at £39.3m, a further £16.9m pressure in addition to the £22.4m built into the 2022/23 budget. For context, in the years to 2019/20 the annual pay and prices inflation budgets averaged £8m per annum.

2.5. The pay offer proposed from the National Employers is a flat £1,925 per employee regardless of where they are on the salary structure. For Manchester this equates to an average increase of c7%. The original budget assumed 3%, which was considered a prudent estimate at the time the budget was set, after several years of pay restraint. Additionally, the 2021/22 pay offer was settled in March 2022, after the 2022/23 budget was set at 1.75% against a budgeted 1%. The impact of both awards is an additional £9.5m in year pressure.

2.6. Utility prices are also increasing significantly. Previously the expertise in the Energy Unit has meant that the Council has benefitted from low prices for its utilities. However, these contracts expired in 2022 with the retendering coming in at much higher prices and the council facing steep increases in energy costs earlier than some other local authorities whose contracts run to different timescales.

2.7. The Council's main electricity contracts expire in October 2022. As at the end of August it is forecast that market prices will be around 145% higher than the current contract for electricity, this is incredibly volatile and changing by the day. Gas prices are still projected to be very high for the winter, with a forecast 450% increase compared to 2021/22 levels. For 2022/23 the council increased its energy budgets by £11.5m. The continued steep increases in prices will mean that c£3.9m more will be required based on current estimates, a total of £15.4m more than the normal budgeted level. There is currently no additional government support planned for businesses and the public sector.

2.8. An urgent key decision has been published in relation to the award of electricity supply contracts. This is urgent due to the very significant "within day" volatility taking place to the extent that normal renewal routine is not feasible. In order for the suppliers trading desk to be able to "lock in" an accepted offer, the decision to accept and instruct the supply to go ahead needs to be by immediate return of offer receipt.

2.9. The graph below illustrates the volatility seen in the gas and electricity markets since September 2021.

2.10. In addition, other price inflation pressures total c£3.6m, as our contractors struggle to contain costs and maintain prices. Again, this is subject to change as contracts renew and discussions with suppliers take place to seek mitigations. Services reporting inflationary pressure include Children's Social Care, Homelessness Accommodation, Waste collection, Facilities Management and ICT.

2.11. The remaining overspend is £3.4m. This includes the ongoing covid legacy issues affecting income, mainly in Neighbourhood Services, and pressures on SEN transport. The main areas of pressure are off street parking income due to continued reduction in car park users; market income as custom levels struggle to return to pre-pandemic along with an increased vacant stall rate; a reduced Christmas Market footprint with the temporary closure of Albert Square and lack of alternative sites; and Home to School Transport pressures due increased to fuel costs.

2.12. In relation to the delivery of the required £13.4m of net savings, £3.2m are forecast to be delivered and £4.7m considered at medium risk. £5.5m have been mitigated through the use of reserves, as delivery against the original plan in Adults services was delayed due to the on going pandemic in 2021/22. Officers are working to address these to ensure all savings are achieved or mitigated on recurrent basis.

2.13. Full details about of the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended budget increases and virements set out in section 4 for the consideration and approval of Executive.

2.14. At this stage there is no indication of any financial support from central government. Officers are working to reduce the pressures where possible and mitigate the position. This includes:

- Daily monitoring of wholesale prices for gas and electricity to inform the best time to take up new contracts
- Rigorous procurement practices and ongoing discussions with suppliers to contain inflationary increases where possible
- Review of Sales, Fees and Charges income to reflect increased pay awards and other costs where possible. Note there are limitations to what can be achieved in year due to the impact on users and the scale of inflation puts pressure on level of charging for 2023/24.
- All directorates to review budgets and identify in year savings and mitigations to support the current year position. This will include:
    - Bringing forward savings options being developed for next year
    - Rightsizing the workforce, only filling vacancies where necessary for service and savings delivery
    - Discretionary spend to be reduced or delayed

2.15. Longer term the development of a parking strategy is underway to support the overall city centre transport strategy and rebase budgets to reflect the reduced level of off-street parking income.

2.16. Any remaining overspend which cannot be mitigated in year will be a call on the smoothing reserve or the general fund reserve. The smoothing reserve has been established to assist with timing differences between savings plans being developed and delivered. Any unplanned use in the current year would reduce capacity to support future years savings programme and reduce the Council’s overall resilience.

2.17. As well as impacting on the Councils position the current levels of inflation and associated cost of living crisis will have a significant impact on our residents and the services, we provide to support the most vulnerable residents. Work is underway to assess the likely level of additional support needed, any funding implications will be reported back to Executive in December.

2.18. Since the last report to Executive there have been a number of new grant announcements and reserve drawdowns which required Executive approval to add to the budget. These are detailed in Appendix 2 for consideration.

3. Financial position 2023/24

National position

3.1. A three-year Spending Review (setting high level departmental limits) was announced October 2022. This showed that an increase in funding for local government was ‘front loaded’ to 2022/23, with no further increases for inflation or demographic pressures for the following two years. It was accompanied by a one-year finance settlement for 2022/23. At that stage the plan was for a two-year settlement (covering 2023-24 and 2024-25), with a consultation to follow.

3.2. This technical consultation paper on the future settlement had been due before the Summer Recess. The ministerial changes and political instability have meant that this has not happened. There may be an emergency budget following the appointment of a new Prime Minister in September, however, it is not clear whether this would provide any further funding information in advance of the Finance Settlement that is usually announced late December.

3.3. Longer term there is no guarantee that ministers will proceed with the proposals that were under development. The major reforms planned included the Fair Funding Review, new formulas for Public Health and Social Care Grants, a business rates baseline reset and the end of the New Homes Bonus scheme. In addition, the 2021 census will update the population figures used to allocate funding. Both politics and the characteristics of local government finance have changed since the last census and the Levelling up agenda may see a change in funding distribution. Nationally, there has been a growing reliance on council tax to fund services with half of the growth in Spending Power since 2019/20 driven by Council Tax increases which increases the burden on the local taxpayer.

3.4. There is also uncertainty around the Health and Social Care reforms with the impact of the restructure of the NHS, and the Fair cost of Care to be paid to care providers, and the Care Cap which puts some limits on what residents pay for their care due to be implemented over the next 18 months. A government consultation on the funding options for the social care reforms is underway which officers will respond to.

3.5. Despite this uncertainty, local authorities must produce their budget plans and have a legally approved balanced budget agreed by full council by 11 March. This will need to include a longer-term strategy for financial resilience and a multi-year financial plan. The delays in funding reform, and political instability make it incredibly difficult to predict the funding available and it is likely there will be changes that have to be managed at short notice. The council will continue to press for continuity in our funding position and recognition for the unprecedented cost pressures faced.

Local position

3.6. The Medium-Term Financial Strategy (MTFS) recognised that significant budget cuts would need to be delivered over the Spending Review period to set a balanced budget in future years. When the three-year MTFS was presented in February 2022 the budget gap was forecast at £37m in 2023/24, increasing to £58m by 2024/25. To keep the council on a sustainable financial footing, it was proposed that budget cuts and savings of £60m were developed for member consideration (just under 12% of 2022/23 directorate budgets).

3.7. A review of the Council's budget assumptions has been undertaken in August 2022. In the absence of any firm information a rollover settlement has now been assumed for 2023/24 with the impact of funding reforms being moved to 2024/25. The MTFS assumed that any redistribution of local government funding was likely to be detrimental to the Council. In addition, it is now assumed the current business rates regime and 100% retention pilot will continue for a further year which again means resources could be higher than budgeted for. This pushes the settlement risk in our financial plans from 2023/24 to 2024/25.

3.8. The Council is still facing the impact from the pandemic with income levels yet to fully recover, particularly in relation to parking income, which has been affected by the different office working patterns. In addition, there are unprecedented levels of inflationary pressures as outlined in section 2 of this report. The ongoing impact of this year's pay award and inflationary pressures and the need to increase estimates in future years is adding a further estimated £26m to our cost base in 2023/24, with a further £25m for 2024/25 budget. This is over and above the levels provided for in the February 2022 MTFS, and therefore increases the budget gap overall.

3.9. All budget proposals are subject to the political decision-making process, the main working assumptions include:

- The Fairer Funding reforms are delayed to 2024/25 and all current government grants continue, including New Homes Bonus.
- Business rates – continuation of 100% pilot for a further year.
- Council tax – 2023/24 growth in base of 2.0% and increase in council tax of 2.99% in line with the current referendum limit, and Adults Social Care Precept.
- Demographic pressures for social care are funded.
- Inflation for utilities, pay and prices is included at £58m in in 2023/24 and £69m in 2024/25.

3.10. The updated position reflects Collection Fund surpluses totalling £13.4m which will be available to support the 2023/24 position. This is linked to collection levels being higher than anticipated in 2021/22. Collection Fund accounting requires this to be recognised a year in arrears.

3.11. The above are subject to more detailed work and political decision making. It is also subject to change both in terms of the level of resources from central government and for the continuing impact of inflation. Finally, it does not yet include any potential new pressures associated with the impact of the cost-of-living crisis on our residents.

3.12. Whilst the delays to the funding regime changes have meant the cost pressures have to a certain extent been offset in 2023/24, the £20m overspend will need to be met and the position for 2024/25 is considerably worse. This has led to an increase in the forecast gap, from an original £58m to £73m by 2024/25.

3.13. The table below shows the forecast medium term position. Before any application of smoothing reserve, the gap is £47m next year increasing to £92m the year after. The increase in 2024/25 reflects the cumulative impact of inflation and the expected impact of the funding reforms.

3.14. As set out in the February 2022 MTFS it is proposed that smoothing reserves are applied to manage the level of savings to be identified each year. This includes the remaining balance of airport dividend income received prior to the pandemic.

	Forecast 2022 / 23 (p4) **£'000**	**2023 / 24** **£'000**	**2024 / 25** **£'000**
Resources Available			
Business Rates / Settlement Related* Funding	235,553	345,996	341,840
Council Tax	208,965	209,450	219,348
Grants and other External Funding	104,625	98,974	87,374
Dividends	0	0	0
Use of Reserves*	113,701	11,128	4,092
Total Resources Available	**662,844**	**665,548**	**652,654**
Resources Required			
Corporate Costs	140,338	110,229	114,867
Directorate Costs	570,470	602,803	629,461
Total Resources Required	**710,808**	**713,032**	**744,328**
Shortfall	**47,964**	**47,484**	**91,674**
Proposed use of smoothing reserves	(27,821)	(14,382)	(18,399)
Reprofiled Shortfall	**20,143**	**33,102**	**73,275**

*2022/23 Business Rates reflects a deficit from the prior year relating to reliefs granted to the retail, leisure and hospitality sectors as a result of the COVID-19 pandemic. These were fully funded by section 31 grant, received in 2021/22 and carried forward in reserve to offset the deficit in 2022/23.

3.15. Work has already started to develop options for balancing the 2023/24 and 2024/25 budgets, based on the anticipated shortfall as set out in the MTFP at February 2022. Given the level of volatility and uncertainty as set out earlier in this report, at this stage it is considered reasonable to continue to work to achieving the £60m target and developing realistic and deliverable options for member consideration. Once the settlement is announced this position will be updated further and savings proposals flexed accordingly.

3.16. The Council's robust reserves strategy has proven successful in managing risk and timing differences to deliver balanced and sustainable budgets and provide the time necessary to deliver on its planned savings. It is proposed to continue with this strategy and use smoothing reserves to manage the uncertainty around the funding position.

3.17. Reserves should not be used to mitigate the requirement to make ongoing savings, they can only be a temporary support to enable permanent savings to be implemented effectively.

3.18. The modelling of the assumptions will continue to be refined throughout the process as more clarity around the funding position and inflationary pressures emerges, alongside further work on the budget cuts and savings options during September with options due to go to the November Scrutiny cycle. The draft budget would then go to February Scrutiny and Executive prior to approval by Full Council in March. The process is being kept under review, particularly with the potential for a government Emergency Budget in September.

4. Conclusion

4.1. This report sets out the significant risks faced this year and over the medium term, which mainly relate to external factors around inflationary pressures and continued income shortfalls following the pandemic. Service departments are largely managing within approved budgets and savings delivery is on target. The pressures are resulting in a forecast overspend of £20.1m this year increasing to £33m next year and £73m by 2024/25.

4.2. The inflationary pressures outlined in this report are expected to continue into future years. This coupled with funding uncertainty increases the risks associated with setting a balanced and sustainable long-term financial plan and represent a deterioration of our financial position if no action is taken.

4.3. It is therefore vital that the Council continues with its programme of innovation and reform and develops its operating model to help tackle these challenges and keep the Council's finances stable and sustainable. A programme of savings totalling £60m is being developed and will be reported to scrutiny committees in November 2022.

4.4. To support and mitigate against the high levels of uncertainty a full review of reserves has been undertaken to enable a realistic and resilient budget to be set.

4.5. Taking into account the inflationary pressures affecting pay, fuel and utility costs, confirmed and anticipated government funding and any other known budget changes the budget forecast is an overspend of £20.1m for 2022/23. It is early in the financial year and vigilance is needed given there are significant uncertainties and risks to the position and inflationary pressures could increase further.

4.6. Officers are working to reduce the overspend through identifying in year efficiencies and working with suppliers to reduce and mitigate inflation requirements. Progress will be reported back to Executive in December 2022.

Appendix 1 – Financial position 2022/23 P4

Revenue Budget Monitoring: 2022/23 Period 4

Financial Executive Summary

- The Council is forecasting to overspend against its budget for 2022/23 by £20.1m, an adverse movement of £15.6m since P2.
- This overspend is predominantly due to a forecast £9.5m to fund the proposed employer's 2022/23 pay award offer and energy inflationary pressures of £3.9m. The remainder of the overspend relates to £3.6m of funding needed for price inflation, a £3.7m shortfall in income in the Neighbourhoods directorate mainly for income shortfalls and likely reduced Christmas market revenue as the identification of alternative sites to offset the loss of Albert Square is unlikely. This is offset by a forecast £0.8m underspend in Adult Social Care.
- Approved Directorate savings in 2022/23 total £13.4m of which £5.5m will be mitigated through the use of reserves. Of the remainder £3.2m are forecast to be delivered as planned and £4.7m considered medium risk. Officers are working to address these to ensure all savings are achieved or mitigated on recurrent basis.

Overall MCC Financial Position

Integrated Monitoring report Period 4 total variance

	Original Budget	Revised Budget	Forecast Outturn	Variance	Movement since last report
	£000	£000	£000	£000	£000
Total Available Resources	**(690,599)**	**(699,078)**	**(699,144)**	**(66)**	**0**
Total Corporate Budgets	140,652	137,821	154,603	16,782	15,217
Children's Services	129,020	125,458	125,413	(46)	700
Adult Social Care	184,618	185,877	185,091	(786)	(1,338)
Population Health	42,476	42,568	42,568	0	552
Neighbourhoods Directorate	91,704	92,388	96,064	3,676	(90)
Homelessness	27,346	27,215	27,215	0	0
Growth and Development	(9,752)	(9,268)	(8,637)	631	631

Corporate Core	84,535	97,020	96,970	(50)	(50)
Total Directorate Budgets	**549,947**	**561,258**	**564,684**	**3,426**	**405**
Total Use of Resources	**690,599**	**699,078**	**719,287**	**20,209**	**15,622**
Total forecast over / (under) spend	**0**	**0**	**20,143**	**20,143**	**15,622**

- ## Corporate Budgets

Corporate Budgets £16.782m overspend

Planned Use of Resources	Annual Budget £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Other Corporate Items	66,149	66,090	(59)	(59)
Contingency	1,060	1,060	0	0
Inflationary Budgets and Budgets to be Allocated	22,352	39,288	16,936	15,324
Apprentice Levy	1,029	1,029	0	0
Levies	37,915	37,920	5	8
Historic Pension Costs	7,316	7,216	(100)	(57)
Transfer to Budget Smoothing Reserve	2,000	2,000	0	0
Total Corporate Budgets	**137,821**	**154,603**	**16,782**	**15,217**

Corporate Budgets - Financial Headlines

- Inflationary Budgets and Budgets to be Allocated overspend of £16.782m is due to:
  - The proposed employer's pay award offer for 2022/23 is £1,925 on all NJC pay points 1 and above and results in an overall average increase of 7%, and an associated cost of £15.9m. The budget assumptions were based on a 3% increase (£6.4m). This has resulted in a pressure of £9.5m. The pay award is subject to agreement with Trade Unions and represents the minimum likely cost.
  - Following an analysis of utility costs and budgets, it is expected that these inflationary costs will be greater than the contingency sums set aside by £7.416m, due to further worldwide increases in energy costs and the timing of our energy contract renewals.
  - The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to July 2022, up from 9.4% in June.
- The Bad Debt provision for Council wide debt pre-2009 has been reduced by £59k due to payment plan arrangements being secured.
- Historic pension costs have underspent by £100k (1.37%) due to a reducing number of recipients.

Corporate Resources £66k over-achievement

Resources Available	Annual Budget £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Retained Business Rates	(158,337)	(158,337)	0	0
Council Tax	(208,965)	(208,965)	0	0
Other Specific Grants	(112,638)	(112,704)	(66)	0
Business Rates Grants	(77,216)	(77,216)	0	0
Dividends	0	0	0	0
Use of Reserves	(141,922)	(141,922)	0	0
Total Corporate Resources	**(699,078)**	**(699,144)**	**(66)**	**0**

Corporate Resources - Financial Headlines

- Other specific grants - £66k for Council Tax Subsidy which was confirmed at a higher level than budgeted for.
- Business Rates Collection as at the end of July is 39.22% (excluding account credits) which represents a return to pre covid levels and is an improvement on 29.68% in 2021/22, 25.89% in 2020/21 and 37.55% in 2019/20.
- Council Tax Collection at end of July is 31.74% which compares to 31.81% in 2021/22, 31.74% in 2020/21 and 33.47% in 2019/20.
- £110m of the Use of Reserves budget reflects the timing of the Business Rates S31 grants for Extended Retail Relief which was received in 2021/22 but is applied to offset the 2022/23 Collection Fund Deficit.
- Invoices paid within 30 days is 84.72% compared to a target of 95%.
- £4.5m (14.8%) of pursuable debt is over a year old and still to be recovered by the Council. Progress is being made in resolving outstanding disputes which are preventing payment, this excludes council tax and business rate arrears.

Children's Services

3a. Children's and Education Services - £46k underspend

	Annual Budget £000	Actuals to P4 £000	Outturn £000	Variance £000	Movement since last report
LAC Placements	45,465	11,691	42,215	(3,250)	(1,022)
LAC Placement Services	7,248	2,093	7,313	65	190
Permanence & Leaving Care	13,153	5,993	13,507	354	1
Safeguarding Service Areas	35,608	13,063	35,733	125	(105)

Children's Safeguarding	101,474	32,841	98,768	(2,706)	(936)
Education Services	6,873	2,777	7,485	612	252
Home to School Transport	10,520	1,552	12,598	2,078	1,563
Targeted Youth Support Service	841	68	841	0	0
Education	18,233	4,397	20,924	2,691	1,815
Strategic Mgmt. & Business Support	5,752	1,454	5,721	(31)	(179)
Total Children's & Education Services	**125,458**	**38,692**	**125,413**	**(46)**	**700**

Children's and Education Services - Financial Headlines

Children's Services returned £2m of their initial budget to support the overall in year pressures and contribution to their 2023/24 savings as part of the Period 2 monitor. This forecast outturn position is therefore against the lower revised budget of £125.458m.

The overall position as at Period 4 is forecasting a year end underspend of £46k, which is made up of:

- £3.250m Looked After Children (LAC) placement underspend mainly due to placements being 73 below budgeted figure, in part driven by a movement of Children into Special Guardianship Orders (SGOs). There is an increasing demand for solo and specialised placements, and the need for more flexible and responsive provision for children. The service is developing a proposal for SMT consideration investment (£0.652m) into solo placements and in turn reduce demand for high cost emergency placements.
- £65k LAC placement services overspend is due to pressures on non-staffing budgets (i.e. travel and premises) required to support a growing workforce cohort to ensure Caseworker caseloads remain at a safe and manageable level.
- £354k Permanence and Leaving Care overspends mainly due to Special Guardianship Orders placements numbers being 5 higher than budget and half of SGO's having an average unit cost £220 per week. The increase is in line with strategy to increase SGO placements and therefore lower the number of LAC placements. There is also additional spend on Section 17 Welfare for Children with Disability placements offset by underspends in Adoption Allowances, Child Arrangement Orders and No Recourse to Public Funds.
- £125k Children Safeguarding overspends based on staff and agency cover within Permanence offset by vacancies in Children's Commissioning and Children's Social Work Teams.
- £2.691m Education services pressures mainly relates to increased pressures in Home to Schools Transport (£2.078m) and short breaks (£0.612m).
- £31k underspend in Strategic Management due to underspend on staffing offset by small overspend in Strategic Business Support Teams.
- The position reflects inflationary pressures being managed within the Directorate's existing budget relating to External Residential (£158k) and short breaks (£19k) placements.

The £0.7m adverse movement since last reported month relates to:

- £1.815m in Education Services relating to additional Short Breaks (£252k) and Home to School Transport costs (£1.563m). The service are reviewing short breaks in order to manage this increase down. Home to School Transport has been affected by price increases, due to the cost of fuel and a tight supplier market.
- The is a £0.937m favourable movement in Children's Safeguarding mainly due to the early achievement of placement savings.
- £179k of COMF funding has been applied to support the costs of delivering 'Our Year', reducing the impact on the budget.

Outstanding debt for External residential and External Fostering in Controcc, totals £1.210m at the end of July and is included in the forecast. The aged debt quantum also includes £157k invoices 'held but ready for payment'. The position is expected to continue to improve, reflecting the hard work of the Commissioning Team.

Children's Services – Dedicated Schools Grant (DSG)

3b. Dedicated School Grant - £3.525m forecast overspend

	Annual Budget £000	Actual to Date £000	Projected Outturn £000	Variance £000	Movement since last report £'000
Schools Block	197,772	66,254	197,772	0	0
Central Services Block	3,868	1,074	3,868	0	0
High Needs Block	101,365	30,707	102,188	823	(1,127)
Early Years Block	38,808	13,076	38,808	0	
Recovery Plan	1,350	0	1,350	0	
Total in-year	**343,163**	**111,111**	**343,987**	**823**	**(1,127)**
Deficit b/fwd.				**2,702**	
Overall DSG position	**343,163**	**111,111**	**343,987**	**3,525**	

Dedicated Schools Grant (DSG) in 2022/23 totals £632m, of which £289m is top sliced by the Department for Education (DfE) to pay for academy budgets. This includes additional supplementary grant funding for 2022/23 provided for the high needs block of £4.034m. The reduction in the DSG overspend from period 2 is a result of work on the recovery plan, including a proposed reduction in the joint funded placements.

The DSG overall in year position is projecting to overspend by £0.823m, primarily due to high levels of growth in the number of Education Health and Care Plans and special schools' placements within the High Needs Block. The service is working on a detailed recovery plan for the high needs block, which focuses on managing demand and finding efficiencies that help to combat these pressures.

The deficit brought forward from previous years is £2.702m, mainly driven by overspends against the high needs block. This will need to be recovered in future years as part of the recovery plan. If the Local Authority are unable to manage down the deficit Manchester will be required to take part in the DfE sponsored Safety Valve project. Savings targets have been agreed for local authorities with the highest dedicated school grant deficits as part of Safety Valve Arrangements.

Adult Social Care / Manchester Local Care Organisation

4a. Adult Social Care and Population Health – £0.786m underspend

	Annual Budget £000	Outturn £000	Variance £000	Movement since last report £000
Provider Services	28,958	30,060	1,102	347

Hospital Teams, Front door, and TEC	3,086	2,989	(97)	(45)
Integrated Neighbourhood teams	46,346	45,460	(886)	(2,483)
Complex Services (LD, MH, Transition)	89,631	89,031	(600)	(306)
Commissioning MLCO	6,591	6,286	(305)	63
Back office, citywide support & growth	8,731	8,760	29	1,044
MCC – Other	2,534	2,505	(29)	42
Total ASC	185,877	185,091	(786)	(1,338)
MCC – Out of scope Population Health	42,568	42,568	0	552
Total ASC and Population Health	**228,445**	**227,659**	**(786)**	**(786)**

Adult Social Care - Financial Headlines

Overview of main variances – £0.786m underspend

The forecast is an underspend of £786k. The key assumptions underpinning the forecast are:

- Clients in receipt of care at the end of July will remain in care until the end of the financial year. Client numbers are down year to date in key areas which is contributing to the improved position.
- The forecast assumes delivery of £3.3m of the £4m savings through the Better Outcomes Better Lives (BOBL) programme.
- It is assumed all current vacancies will be filled between September and January, based on information from service managers and HR.
- There is full deployment of £12m funding for the annual uplift to the costs of care, including for the Real Living Wage (RLW) increases. At the end of period 4, £5.9m has been allocated. This is based on invoices and payment files received from providers across the service to date. It also assumes that the currently unallocated demographics budget will be spent in full. No deployment for demographics is factored in for the care costs at Period 4, as new starters to the service have been less than the number of leavers.

The Adults position has improved with key reductions in demand flowing through into the care budgets. Older Peoples residential and nursing budgets have seen a significant decrease in recent months. This needs to be caveated with a forecast pressure on the Discharge to Assess or D2A beds which is detailed below. Client numbers across Learning Disability services and Mental Health are also lower demonstrating reduction in demand, a key feature of our budget management strategy. A significant HR programme has been aimed at recruitment to counter the difficulties with the national shortage of social workers and wider labour market challenges impact on roles in care provision.

The main forecast variances are summarised below:

Provider Services - £1.102m overspend

The pressure on the Provider Services budget is driven by an overspend on In-house Supported Accommodation of £1.911m, offset by underspends on Reablement, Short term intervention teams (£516k), Day Centres (£213k) and Equipment and Adaptations of £77k. The most significant change from period 2 is an increase in staffing costs of c£350k on In-House supported accommodation. This is for increased agency hours to cover emergency placements at two sites, staff with Covid, and some double-cover as staff are promoted internally and are trained-up to into new roles with agency staff filling their old positions. There are also additional hours for health and safety requirements relating to fire safety as this work was delayed. This has been escalated corporately to ensure the right support is in place to complete the necessary surveys and associated capital works.

As reported previously, a review of internal Provider Services is underway, which will be informed by a wider commissioning review of supported accommodation and other LD services. The delivery of the outcomes of the review are feeding into the budget setting process for 2023/24 .As at period 4, the service is supporting 175 clients across the internal provision, which is an increase of 3 from March 2022, with 13 void places available for future clients (not currently staffed). Recruitment difficulties continue due to labour shortages in lower graded support worker roles. The number of agency hours paid is higher than the same period last year, with recruitment into permanent roles not happening at the same pace as increased agency usage. The forecast underspend on Reablement and the Short-Term Intervention Team also relates to the ongoing recruitment challenges. Recruitment into these roles remains important to support the BOBL savings and the overall demand management strategy.

Hospital Teams £97k underspend

The £97k underspend includes an underspend of £218k on the hospital social worker budgets offset by a pressure of £121k across Community Alarms and Assistive Technology budgets. The underspend reflects revised recruitment assumptions, with start dates for new recruits pushed back to December. (Previously September). This accounts for the change since period 2. Allowance has been made within the hospital underspend to support the continuation of the 'home from hospital' service (£40k), which supports vulnerable adults to settle back safely into their own homes following a hospital stay. The staffing underspend is offset by pressures on the Community Alarm budget due to increased overtime costs in their control room where staff are covering essential shifts due to a combination of unexpected absence and vacancies and increased fuel costs from 'call outs' to clients.

Integrated Neighbourhood Teams £0.887m underspend

The forecast underspend reflects underspends on residential and nursing budgets of £1.083m, other care budgets of £296k, and staffing of £101k. These underspends are offset by pressures on the homecare budget of £286k and direct payment budgets of £308k. The continued growth in the use of direct payments is a positive position and reflective of strength-based assessment and encouraging independence. The reported position reflects all known activity as at end of July. The reported position allows for £5.5m reserves drawdown to support the profile of the delivery of the BOBL savings, in line with the 2022/23 financial plan.

The number of clients supported in residential and nursing provision (all ages) is 829, which is a decrease of 55 from outturn, a significant reduction in demand. There are a further 11 clients who remain on the CCG Broadcare system who are yet to undergo a Care Act assessment and may therefore transfer into social care. Costs of £385k have been included in the forecast for these clients as there is no further Hospital Discharge Programme (HDP) funding from the CCG to support.

The upward trajectory of client numbers in 21/22 has reversed, with numbers now significantly below the 21/22 outturn position (829 at period 4, compared with 884 at outturn) - It should be noted that the number of clients in residential and nursing provision still remains lower than pre-COVID levels of 998 at March 2020). Additional bed capacity is now in place across the city which will utilise a D2A (Discharge to Assess) model. The D2A model allows for timely discharge out of hospital into a care setting where a full care assessment regarding the clients' needs can take place. £1.534m of funding (representing 50% of the cost, with Manchester CCG/ICS also funding 50%) was budgeted for this provision. As at period 4, there is a projected pressure of £777k estimated due to continued use of spot purchased beds in addition to the block booked beds. As per the agreement with the CCG, 50% of the pressure is applicable and is reflected in the reported position.

The number of homecare hours commissioned at period 4 is 30,347 a week which is 980 hours a week higher than the position at period 2 and 1,958 higher than outturn. (6.9%). There has now been 4 months of increase, reversing the trend of the second half of 21/22. The actual number of clients supported at period 4 is 1,948, resulting in a pressure of £286k.

There is a forecast overspend on direct payments of £308k at period 4, which is an increase of £295k from period 2 and reflects a net increase of 6 new clients from period 2. Client numbers peaked at 422 towards the end of 2021/22 and are now 417 as at period 4. This compares with 401, 12 months ago.

There is a projected underspend on external day care and supported accommodation of £296k as the numbers attending the provision remain lower than before the pandemic. (120 clients at March 2020 and 105 as at July 2022). The position at period 4 is an increase of 16 clients from outturn. The review of day care services will conclude in the Autumn having reviewed services provided both In-house and externally commissioned. As reported under Provider Services, the In-house day care service is underspending due to difficulties in recruitment. The review will determine what type of service is needed for clients in the future and the most appropriate operating model.

There is a projected underspend on the main social worker budgets of £314k offset by pressures on specialist safeguarding roles of £213k. Some progress has been made with recruitment into social worker roles, and agency staff have been recruited where necessary to cover front-line roles. This results in a reduction in the underspend of £23k from period 2. Recruitment assumptions for specialist roles within the MASH have been scaled back to December with agency staff covering essential roles whilst recruitment is underway, at an additional cost.

Complex Services

- There is a forecast underspend of £600k across the complex services budgets, which is an increase in the underspend of £306k from period 2. The forecast breaks down is as follows:
    - an overspend of £27k on external learning disability packages,
    - an underspend of £214k on specialist learning disability social workers,
    - an underspend of £413k on mental health and other complex services.
- The increase in the underspend from period 2 is due to revised staffing recruitment assumptions of £107k and reduced spend on both the Learning Disability and Mental Health cohort due to reduced client numbers.
- There has been a net decrease of 20 clients since period 2, with the number of clients supported now totalling 1,138. (At outturn there were 1,156). Although overall client numbers are down, the introduction of new more complex placements has driven up the unit costs, resulting in limited change to the overall financial position.
- The pressure on learning disability care packages is off-set by an underspend of £413k on mental health packages. Client numbers are down by 10 from period 2. Numbers are now 674, compared to 699 at outturn. The figures have been verified by the service from panel funding decisions.

Commissioning

- The commissioning of Extra Care provision has a projected year end underspend of £305k which is a reduction of £63k from period 2 and reflects increased homecare hours within the Extracare settings.

Back office and deployment of funding for planned investment

- Back-office and the Council - other budgets collectively have a projected year end balanced position. This includes:
    - £348k of BOBL investment unlikely to be deployed in 2022/23, as investment plans are predicated on recruitment (challenges as outlined above)
    - £419k of additional Reablement funding, above the level originally budgeted for,
    - Staffing underspends on Business Support of £215k due to challenges across the recruitment market,
    - Commissioning and back office of £106k on staffing (recruitment delays) and support budgets

    These are offset by pressures:
    - Savings of £0.688m out of a £3.886m total now considered unlikely to be achieved in year.
    - D2A bed pressure as referenced above £400k.

  The main change from period 2 is the unachieved saving of £688k and the pressure on D2A beds of £400k. Work is ongoing across the Directorate to achieve the savings in full.

The most significant budget within Back Office is the support for the implementation of the 2022/23 fee uplift to care providers including NLW and RLW. (c£12m). The £12m is modelled to cover providers to pay the NLW (£6m), the NI increase of 1.25% (£1m), 5% towards general inflation costs (£1.9m) and then an additional amount to meet RLW pay rates. As at Period 4, £5.9m has been drawn down based on invoices and payment files received from providers to date, with the balance committed for future months.

Demographic funding of £1.880m is held within the budget but has not been utilised as at period 4. The overall forecast assumes that this will be spent by the end of the year, but the net number of entrants vs leavers in the year has resulted in no call on this funding to date, a positive position and in line with the demand management strategy.

Population Health

4b. Population Health – Balanced Budget

	Annual Budget £000	Outturn £000	Variance £000	Movement since last report £000
Public Health Children's Services	4,222	4,222	0	0
Early Years- Health Visitors	10,676	10,676	0	0
Wellbeing	4,658	4,648	(10)	5
Sexual Health	8,292	8,217	(75)	(11)
Drugs and alcohol	8,989	8,965	(24)	(1)
Other	3,813	3,813	0	300
MHCC - Public Health Core Staffing	1,918	1,737	(181)	(33)
Contribution to Reserves	0	290	290	290
Total Population Health	42,568	42,568	0	552

Population Health

- Population Health are projecting to balance with authorisation in place to carry forward the 2021/22 underspend which was held in a dedicated reserve in line with the conditions of the former public health grant. There are underspends on the staffing budgets of £181k due to vacant posts, and other areas due to reductions in activity-based contract costs. A re-prioritisation of preventative schemes across Population Health is underway and the Director of Public Health has confirmed that spend will be maximised in 22/23. This is reported in the 'other' line above. Any slippage in this area will result in a request to carry the projected underspend forward into 2023/24 to support with new initiatives, particularly where these relate to delivering the Marmot objectives.
- The Marmot task group are currently considering the arrangements for 'kick-starter' schemes for priority areas with the potential for invest to save measures funding from a £2m investment fund (£1m Public Health grant reserve and £1m COMF).

Neighbourhood Services

5a. Neighbourhoods - £3.676m overspend

	Annual Budget £000	Outturn £000	Variance £000	Movement since last reported £'000's
Neighbourhood Management & Support	1,116	1,116	0	0
Operations and Commissioning	41,498	45,403	3,905	(90)
Parks, Leisure, Events and Youth	7,658	7,903	245	0
Compliance and Community Safety	11,182	10,816	(366)	0
Libraries, Galleries and Culture	9,349	9,241	(108)	0
Neighbourhood Area Teams	3,504	3,504	0	0
Other Neighbourhood Services	310	310	0	0
SUB TOTAL	**74,617**	**78,293**	**3,676**	**90**
Highways	17,771	17,771	0	0
SUMMARY TOTAL	**92,388**	**96,064**	**3,676**	**90**

Neighbourhoods Financial Headlines

Neighbourhood Services - £3.676m forecast overspend and the main variances are set out below:

- Operations and Commissioning - £3.905m overspend – largely due to income shortfalls in off street-car parking and Christmas markets, market revenue forecast has reduced as the identification of alternative sites to offset the loss of Albert Square is unlikely.
- £2.935m reduced off street car parking income due to a continued reduction in car park users following the pandemic. Current payment for on the day usage is around 72% of pre pandemic levels, whilst season ticket sales are only at around 23% of pre pandemic levels, and this is mainly due to the change to increased hybrid working of office workers. We will continue to monitor the usage of car parks, and wherever possible seek to increase usage, but this must be balanced against Council's priority for carbon reduction. This is not always a consideration for the other car operators in the City and they are able to be more flexible in terms of implementing changes, and particularly in response to improved commercial considerations. There is a marginal improvement of £90k from period 2 due to a reduction in the expenditure forecasts for legal costs, compensation, and advertising.

  Off street parking was brought in house in January 2020, c.3 months before lockdowns started, the gross income budget is £14.7m, and costs are £6.9m to provide an annual budgeted surplus of £7.8m. The budget was established at this level based on car park performance during the joint venture arrangements and savings of net £4.1m were approved as part of the 2021/22 budget setting, this did assume that the parking usage would return to pre covid levels. Tariff changes are due to be implemented at the end of July, and these do better reflect the expectations of commuters and the shift away from season tickets sales, this includes revised early bird options, particularly around times that enables commuters more flexibility. Work has also commenced to review the Councils on street and off street car parking, as well as review revenues from enforcement activities including the bus lane enforcement and reserves forecasts. The review will include assessing the impact of the moving traffic offences enforcement, proposed new bus lane enforcement and a review of both on street and off-street parking charges to ensure they are aligned to each other. All enforcement income must be reinvested into improving transport infrastructure and costs of delivering the service.

- £1.0m shortfall in Christmas Markets revenue due to the ongoing closure of Alberts Square and reduced scale of markets whilst the square undergoes improvements, work has been undertaken to identify alternative sites during the closure of Albert Square and whilst Piccadilly Gardens usage has been extended, it has not been possible to close Deansgate to accommodate further markets and mitigate the loss of Albert Square. The losses due to closure are time limited and should provide opportunities for increased income generation opportunities once the enlarged space is reopened.
- £187k underachievement of income for markets due to reduced income at Longsight £100k as the market struggle to recover to pre-pandemic levels of custom. The Arndale Market is currently experiencing a c7% vacancy rate and a projected underachievement of £90k with Church Street experiencing a similar situation £30k. Piccadilly Market continues to benefit from permanent stalls and is forecasted to overachieve income by £33k.
- The advertising portfolio is reporting a balanced budget. The function has a savings target of £450k (£225k in 2021/22 and additional £225k in 2022/23). This cannot be achieved as originally planned due to planning restrictions. Income from other advertising contracts is linked to CPI which has increased above expectations. This has enabled the underachieved savings to be mitigated within the service on an ongoing basis. The budget will be rebased for 2023/24 to remove the unachievable target.
- Bereavement Services are projecting £200k higher than budget income this is due to the ongoing high demand for Manchester facilities and increased income from memorialisation.
- Fleet Services income is anticipated to be £17k above budget due to increased vehicle hires.

Parks, Leisure Events and Youth - £245k income shortfall

- The loss of income is attributed to the closure of facilities whilst undergoing refurbishment at both the Manchester Aquatic Centre (MAC) (£0.792m) and Abraham Moss (£53k) it is expected that the shortfall is time limited and is forecast to recover once the facilities re open in 2023/24. This is offset by use of one off non utilisation of £0.6m set aside to support Covid recovery in the current financial year.

Compliance and Community Safety - £366k underspend

- This is due to staffing underspends of £366k due to vacant posts.

Libraries, Galleries and Culture - £108k underspend

- The £108k underspend on Libraries is due to anticipated staffing underspends for the financial year. Galleries are reporting a balanced budget but there is also a risk of £120k should the claim for business rates discretionary be declined.

5 b. Homelessness – Breakeven

Homelessness	Annual Budget	Outturn	Variance	Movement from last report
	£000	£000	£000	£000
Singles Accommodation	2,140	2,011	(129)	0
B&B's (Room only)	4,600	5,102	502	(5)
Families Specialist Accommodation	323	280	(43)	6
Accommodation Total	7,063	7,393	330	1

Floating Support Service	1,899	1,823	(76)	60
Dispersed & Temporary Accommodation Management Fee	4,900	5,299	399	(32)
Dispersed Accommodation Total	6,799	7,122	323	28
Homeless Management	1,026	996	(30)	0
Homeless Assessment & Caseworkers	2,625	2,552	(73)	(2)
Homelessness PRS & Move On	1,640	1,190	(450)	(22)
Rough Sleepers In reach/Outreach	487	487	0	0
Tenancy Compliance	161	107	(54)	21
Homelessness Support Total	5,939	5,332	(607)	(3)
Commissioned Services	7,414	7,368	(46)	(26)
Commissioned Services Total	7,414	7,368	(46)	(26)
Total	27,215	27,215	0	0

Homelessness Financial Headlines

The reported position for Period 4 is a net breakeven position, despite this forecast position, the Homelessness budgets remain a high-risk area with significant demand pressures.

The Council is has embarked on a refreshed transformation programme as a different approach is vital to unlock some of the most intransigent system issues that are adversely impacting our residents. The focus of the projects is to:

- Increase the prevention of homelessness in Manchester
- Enhance the level of support to people who are at risk or find themselves homeless
- Improve the efficiency and effectiveness of sourcing temporary accommodation
- Provide a series of deliverable property options for the medium term to reduce the rising revenue cost of the service and identify more suitable provision
- Identifying Invest to save models
- Identifying and appraising longer term models of intervention
- Providing an independent and respected local government sector voice, which highlights good practice and positions the Council to access future funding opportunities

The assumptions within the breakeven reported forecast include;

- Numbers in Temporary Accommodation at the end of July remain consistent throughout the year and that any natural growth in demand will be offset by work undertaken in the Transformation Programme to increase prevention.
- Staff vacancies at present will not be filled until November unless start dates have been confirmed, where Agency spend is incurred to cover vacancies this has been assumed to continue at a cost of £24k. Workforce budgets in Homelessness are forecast to underspend by £420k.
- Current cost pressures in B&Bs reduce from September 2022 back to the same level as March 2022.

Overview of main variances:

- Accommodation. Overspend of £330k, driven by the cost pressure in B&B - the average cost of placements is increasing due to increased demand because of the number of events in and around the city, and the significant increase in the numbers supported in hotels since budget setting. The forecast assumes that the average cost of a placement reduces to the same level as that in March 2022 from September to March. If this reduction is not seen the forecast spend in this area will increase by a further £0.975m. At the end of July 2022 the number of families placed in B&Bs was 151 with a further 45 families in nightly paid accommodation. The number of singles in B&B in July was 383. The flow and availability of dispersed temporary accommodation has decreased and is impacting on the number of families in B&B, the numbers of presentations remain high. In 2021/22 there were over 11,607 presentations, an average of 967 per month, the average presentations for April to July 2022/23 are 928 (in line with presentations in this period last year). The current net cost of B&B provision is £188k (£9.8m per annum). A key feature of the current transformation programme is focussing on developing a better understanding of the B&B issue in Manchester and to introduce more effective strategies to improve the position
- Dispersed Accommodation. Overspend of £323k. It had been anticipated that past increases in weekly rates would stimulate the supply of properties in this area to reduce the reliance on B&B accommodation. However, in recent months providers have withdrawn properties from the scheme to let on the open market as rents across Manchester continue to increase. The current housing subsidy loss to the Council is £137k per week (£7.1m p.a.) , this is the shortfall in Housing Benefit income that the Council can claim when compared to the rents paid, the housing benefit income received is 90% of the 2011 Local Housing Allowance.. Placements at the end of July were 1,632. The District Homes Pilot is now fully operational with a further 400 properties transferred to District Homes management, the housing subsidy loss incurred by the Council would be £1m higher per annum if the 400 properties being managed by District Homes were managed by the Council.
- Homelessness Support. Underspend of £0.607m. The majority of underspend is in the Private Rented Sector Team. The team face the challenge of an extremely buoyant rental market and rents are rising rapidly across the city and Greater Manchester. As a result, market rents greatly exceed the local housing allowance making properties unaffordable for many households. This pressure means the team are having to place households further away from the city in order to ensure the property is affordable. However, based on current properties being allocated and with the team carrying 4 vacancies the service will underspend by £450k.

5c. Housing delivery and HRA

Housing Revenue Account	Annual Budget	Net Actual Spend to date	Projected Outturn	Projected Variance from Budget	Movement from last report
	£000	£000	£000	£000	£000
Housing Rents	(63,713)	(21,938)	(62,562)	1,151	(65)
Heating Income	(681)	(76)	(681)	0	0
PFI (Private Finance Initiative) Credit	(23,374)	(5,843)	(23,374)	0	0
Other Income	(979)	(387)	(979)	0	0
Funding From Investment Reserve	0	0	0	0	0
Funding from General/MRR Reserves	(13,188)	0	(13,188)	0	0
Total Income	(101,935)	(27,704)	(100,826)	1,151	(65)
Operational Housing R&M & Management Costs	24,038	5,598	25,868	1,830	71

PFI Contractor Payments	31,942	9,349	32,534	592	(487)
Communal Heating	1,019	(66)	1,528	509	0
Supervision and Management	6,604	1,285	6,665	61	1,100
Contribution to Bad Debts	640	(102)	538	(102)	(102)
Depreciation	18,991	0	18,991	0	0
Other Expenditure	1,463	204	1,448	(15)	0
Revenue Contribution to Capital Outlay (RCCO)	14,508	0	10,865	(3,643)	(2,061)
Interest Payable and similar charges	2,730	0	2,730	0	0
Total Expenditure	101,935	16,268	101,167	(768)	(1,441)
Total HRA	0	(11,436)	383	383	(1,506)

Movement in General/MRR Reserves	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Forecast Closing Balance
	78,052	(13,188)	64,864	(383)	64,481

Housing Revenue Account - Financial Headlines

The HRA budget for 2022/23 included total expenditure of c£102m, and this includes forecast capital investment of c£33m. As part of the approved budget a contribution from reserves of £13.188m was approved to ensure that this capital investment can be funded. The forecast outturn position is that there is an overspend of £383k, which will be funded from reserves and is made up as follows:

Overspends of £4.143m:

- Rent collection continues to hold at 99.3% and is a slight increase from the 99% as at end of quarter 2 2021/22. There is an adverse impact of £1.151m due to the current number of void properties (2.2% against a budget of 1% void loss) and right to buy sales (2.18% against 1.25% budgeted). An improvement plan is in place and is actively reducing the level of void properties, with a corresponding, positive increase in the number of lettings to residents and we expect this trend to continue.
- The operational cost of the service presents a current financial pressure of £1.830m, which includes, £465k in legal disrepair costs and £200k council tax on void properties. The performance metrics on these pressures are improving but still present a risk. Savings of £1.523m were realised in 2021/22 and a new operating model is being created in tandem with a review of the HRA, of which the operating costs are a key dimension
- Due to the significant increase in energy costs, the communal heating charge of £0.509m –present a pressure in year. Going forward, the communal charges will be reviewed, alongside the 2023/24 charges as part of the budget setting process.
- Increased PFI contractor payments £0.592m – Approximately £0.85m was paid to S4B in respect of Elizabeth Yarwood Court, and inflation on all three contracts has been higher than anticipated, which is not offset as the PFI credits remain unchanged. These costs are partly mitigated by c£450k arising from joint insurance savings at Brunswick. It is expected that the site will be sold as part of a future development, and at that time a receipt will come back into the HRA to offset this expenditure.

- Supervision and Management, additional costs of £61k. A mix of costs including ICT recharges, Right to Buy (RTB) plans and Energy Performance Certificates (EPCs), offset by staff vacancies.

Offset by Underspends of £3.76m:

- Reduced RCCO costs £3.643m – based on the latest estimates of capital spend being lower than budgeted
- Reduced contribution to bad debts £102k
- Reduced payments to Tenant Management Organisations (TMO) £15k

As part of the 2022/23 budget process the 30-year business plan was broadly in balance over the life of the plan, there are several issues that could potentially affect this if mitigating actions are not identified to offset potential increased costs, they include: -

- Current high inflation rates and impact on contract costs and rents failing to keep up with these costs
- Additional capital costs for integration of Northwards ICT, Woodward Court and carbon retrofit
- Any delay or reduction in delivery of planned savings.
- Final settlement of commercial details in respect of the repairs and maintenance contract

Given that the HRA is a ringfenced account and cannot be cross subsidised with the General Fund, the implications of the current high inflation rates will have an impact and will need to be covered through rents. There are several contracts which are uplifted annually in line with inflationary indices, this includes the repairs and maintenance contracts and PFI Contracts. The business plan does assume an inflationary uplift, but there is also an assumed inflationary uplift to the tenants' rents and based on current forecasts this could be c11% for 2023/24. Mindful of members discussions around the 4.1% uplift in 2022/23, and the current Government consultation on whether any rent increases should be subject to a maximum cap for 2023/24 work is currently being undertaken to identify what the minimum rent increase would be to cover increased costs and ensure a sustainable HRA.

Looking forward there is likely to be additional asks of the HRA in respect of ensuring compliance with the Social Housing Bill and the Social Housing regulator, this will include building safety and decent homes 2. The impact is yet to be determined but it will require increased investment in the social housing stock.

Any surplus/deficit in year has to be transferred to/from the HRA reserve. At year end, it is forecast that £13.571m will be transferred from reserves at year end, leaving £64.481m in the HRA General Reserve at the end of the year.

Growth and Development – £0.631m Overspend

Growth & Development	Annual Budget £000	Projected Outturn £000	Variance from budget £000	Movement from last report £000
Investment Estate	(12,856)	(12,176)	680	587
Growth & Development	160	160	0	0
City Centre Regeneration	1,041	1,077	36	36
Housing & Residential Growth	1,167	1,157	(10)	83
Planning, Building Control & Licensing	(674)	(749)	(75)	(75)

Work & Skills	1,894	1,894	0	0
Total Growth & Development	**(9,268)**	**(8,637)**	**631**	**631**

Growth and Development - Financial Headlines

Overview of main variances – £0.631m Overspend

Growth & Development is forecasting a net overspend of £631k, and the main variances are as follows: -

- **Investment Estate - overspend of £0.680m**
  - The biggest issue to date is a reduction in expected income from Manchester Central for 2022-23 based on their latest forecasts – this amounts to £0.764m.
  - Manchester Airport £180k - a reduction in turnover rent (turnover based on previous years)
  - The Arndale £118k - levels of income from retail units remain at relatively low levels in comparison to previous years
  - Wythenshawe Town Centre – Shopping Centre £154k - forecast income is still below budget – the purchase of the property in the near future should resolve the level of income to be received for previous years, and the likely income in future years
  - Barclays Computer Centre £142k - there is no income forecast at present – options are being considered in light of the purchase of the Town Centre Shopping Centre (above).
  - Increased need for bad debt provision, estimated at c£0.6m - rent reviews and the ongoing impact of the pandemic are impacting on the forecast level of bad debt that will be required
  - These are offset by staffing savings of £380k, and additional income from across the estate (including Industrial sites, Let land, Shops and Car Parks) of c£0.9m, largely following a series of rent reviews.
- **City Centre Regeneration – overspend of £36k -** staffing related
- **Housing & Residential Growth – underspend £10k -** Savings on staffing costs are offset by additional land registry fees and professional fees relating to the Moston Commercial review.
- **Planning, Licensing and Building Control – underspend £75k -** Planning income is currently below target, but staffing underspends mean that the forecast drawdown from the Planning reserve is £156k (budget £326k). There is a forecast underspend of £75k due to staffing savings in Building Control and the Planning and Infrastructure teams.
- **Manchester Adult Education Service (MAES) – breakeven -** The current forecast is that £190k will be required from the reserve, but this is subject to confirmation as to the level of Talk English funding.
- **MCDA (Manchester Creative Digital Assets) – breakeven -** The service was given a budget of £250k for 2021/22 to offset the income reduction because of the pandemic, this has been removed for 2022-23. MCDA have indicated that they will require further support for 2022-23, the level isn't known at this stage. Any further support would be subject to appropriate due diligence and the necessary approvals.

Corporate Core – £50k underspend

Chief Executives	Annual Budget £000	Outturn £000	Variance £000	Movement since last report £000
Coroners and Registrars	2,253	1977	(276)	(172)

Elections	1,482	1,482	0	0
Legal Services	9,684	9,414	(270)	0
Communications	3,233	3,213	(20)	0
Executive	955	955	0	0
Legal, Comms, Democratic Statutory Sub Total	17,607	17,041	(566)	(172)
Policy, Performance and Reform	14,173	14,173	0	(80)
Corporate Items	1,215	1,245	30	0
Chief Executives Total	**32,995**	**32,459**	**(536)**	**(252)**

Corporate Services	Annual Budget £000	Outturn £000	Variance £000	Movement since last report 000's
Finance, Procurement, Commercial Gov.	7,806	7,681	(125)	(40)
Customer Services and Transactions	20,010	19,828	(182)	(152)
ICT (Information & Communication Technology)	14,921	15,258	337	249
Human Resources & OD (Organisational Development)	4,239	4,239	0	0
Audit, Risk and Resilience	1,384	1,354	(30)	0
Capital Progs, Operational Property, Facilities	15,665	16,151	486	145
Corporate Services Total	**64,025**	**64,511**	**486**	**202**
Total Corporate Core	**97,020**	**96,970**	**(50)**	**(50)**

Corporate Core - Financial Headline

Corporate Core £50k underspend and the key variances are: -

- Coroners and Registrars £276k underspend due to additional income of £200k, mainly in relation to increased numbers of weddings and citizenship ceremonies, and an £76k underspend on legal costs within Coroners.
- Legal Services £270k net underspend, mainly due to £470k underspends on employee budgets as the service has faced challenges recruiting to vacancies partly offset by reduced external income due to a reduced level of service provision to Salford Council. It also includes a forecast £1m overspend in relation to children's services which is being funded by a transfer from reserves in 2022/23 as approved by Executive on the 22 July 2022. The service has developed a plan around a recruitment drive to reduce external costs to mitigate this going forward.
- Policy, Performance and Reform - there is reduced income on project activity £183k as there has been a loss of European funding and access to other funding does not cover staffing costs at 100%. This is offset by employee underspends of £183k due to vacancies.
- Finance, Procurement and Commercial Governance £125k underspend on employee budgets due to vacancies.
- Customer Services and Transactions £182k underspend due to and staffing underspend of £30k and from additional income from clamping vehicles across the city which are illegally parked £152k. This income does not fall under the Traffic Management Regulation Act and is therefore un-ringfenced income.
- ICT - £337k overspend due to additional security contracts, in light of the heightened cyber security risks and increased technical resources due to the increased requirements for support from the desktop and helpdesk services.

- Capital Programmes - £486k overspend due to, part year increased security costs for Wythenshawe Hall £141k, increased rates £54k, increased metered water charges £100k delayed Operational Property savings £240k, security and other costs across the estate £69k, running costs in Facilities Management £92k partly offset by £160k underspend on employee budgets in Facilities Management and £50k increased income in capital programmes.

Future risks /opportunities

Increased license costs of Microsoft Endpoint Licenses – to be funded through contingency in 2022/23, considered as part of the budget process for 23/24 onwards.

Directorate Savings Achievement - £4.447m medium risk

	Savings Target 2022/23					
	Gross Revenue Savings	Use of Reserve	Net Revenue Savings	Low Risk (delivered or expected to be delivered)	Medium Risk (delivery risk or mitigated)	High Risk (undelivered resulting in overspend)
	£000	£000	£000	£000	£000	£000
Children's Services	292	0	**292**	292	0	0
Adults and Social Care	9,386	(5,500)	**3,886**	560	3,326	0
Neighbourhoods	829	0	**829**	604	225	0
Homelessness	117	0	**117**	117	0	0
Growth and Development	59	0	**59**	59	0	0
Corporate Core	2,654	0	**2,654**	1,533	1,121	0
Total Budget Savings	13,337	(5,500)	**7,837**	3,165	4,672	0

Savings - Headlines

£7.837m approved savings, £4.672m (60%) are considered medium risk as follows:

- Adults - £9.386m gross savings. The detailed BOBL financial plan is operational, and the service are working to deliver the savings and cost reductions. Recurrent mitigation has been identified in-year from higher than budgeted income from means tested client contributions to care costs and this will address any shortfall from BOBL in year. In addition, the reported position allows for £5.5m reserves drawdown to smooth achievement of BOBL savings in line with the 2022/23 financial plan. ASC also has a further £0.7m of Directorate savings but expectation is now limited that it can be of delivered as part of the BOBL programme in 2022/23 and as such is not built into the outturn forecast.
- Corporate Core - £1.121m. ICT £300k which has been mitigated this year across supplies and services. These will be delivered in 2023/24 as part of the printer and telephony rationalisation. Operational Property £0.821m mitigated this year through an approved draw down from the reserve. The operational property savings are time limited and 2023/24 is the final year before the savings come out in 2024/25 following the reopening of the Town Hall. A plan is being developed to ensure the delivery of the savings in 2023/2024
- Neighbourhoods - £225k Piccadilly Gardens advertising target will not be achieved as planned. This has been mitigated on an ongoing basis by additional advertising income

Appendix 2 - Proposed 2022/23 budget changes for consideration by Executive

The revised budget reflects the following adjustments which are subject to approval by Executive.

Grants

Since the 2022/23 budget was approved there have been additional non COVID-19 grant notifications which are now reflected in the revised budget as follows:

- Homelessness - £7.9m funding has been awarded to provide support to Afghan Families in Bridging Hotels in the City
- Children's Services - Youth Justice Grant - £1.418m. The grant for 2022/23 has been increased to help Youth Justice Services (YJSs) support children without them having to be cautioned or sentenced to receive help, to address the multiple complex needs young people have if sentenced and to reflect the ongoing effects of the pandemic.
- Neighbourhood Services - Levelling Up Parks Fund of £85k has been awarded to create new or significantly refurbish green spaces in urban areas. Of this £47.5k will be applied to the capital budget for the delivery of the project and the remaining £37.5k to the revenue budget to support preparation, creation and maintenance of urban parks and fund tree planting and related costs. This aim to deliver increased access to quality green spaces, tree planting and pride in local places, working towards Green Flag Award status upon completion.
- Adult Social Care – Fairer charging reform implementation support grant - £98.6k. Following Government's announcement in September 2021 to introduce a lifetime personal contribution cap of £86k towards personal care and extend the means test, this grant provides support to authorities in funding implementation of the adult social care charging reform. The grant covers the planning and preparation costs associated with charging reform to recruit additional staff to manage the increased demand for assessments and the implementation of the care account module. This is a non-ringfenced contribution towards local authorities to implement charging reform.

Other budget changes for approval

The following requests for release of funds approved in budget and held corporately but not yet allocated to departmental cash limit have been made:

- Growth and Development - £250k for the Digital Cities programme. As set out in the Revenue Budget 2022/23 report on 16 February 2022, this budget allocation supports the ambition of being a Smart City by 2025. This will enable development of a strategy to harness the opportunities that digital technology presents and is a key enabler to delivering the carbon agenda. Plans are now in place and the budget transfer needs to be actioned.

Reserves

There is a request for use of reserves over and above that agreed as part of the approved 2022/23 budget:

- Homelessness reserve- £1.493m ringfenced homelessness grant was carried forward from 2021/22 and now required 2022/23 to support the following programmes: Project and Vaccinate, Community Accommodation, Rough Sleepers Accommodation, Rough Sleeper Initiative (protect), Ex-offender accommodation and the Private Rented Sector access fund.