Public Document Pack

MANCHESTER CITY COUNCIL

Executive

Date: Wednesday, 26 July 2023
Time: 2.00 pm
Venue: Council Antechamber, Level 2, Town Hall Extension

Everyone is welcome to attend this Executive meeting.

Access to the Public Gallery

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. **There is no public access from any other entrance.**

Filming and broadcast of the meeting

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

Membership of the Executive

Councillors
Craig (Chair), Akbar, Bridges, Hacking, Igbon, Midgley, Rahman, Rawlins, T Robinson and White

Membership of the Consultative Panel

Councillors
Ahmed Ali, Butt, Chambers, Douglas, Foley, Johnson, Leech, Lynch and Moran

The Consultative Panel has a standing invitation to attend meetings of the Executive. The Members of the Panel may speak at these meetings but cannot vote on the decisions taken at the meetings.

Agenda

1. Appeals
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.

2. Interests
To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.

3. Minutes
To approve as a correct record the minutes of the meeting held on 28 June 2023. — 5 - 20

4. Our Manchester Progress Update
Report to follow

5. Revenue Monitoring to the end of May 2023 — **All Wards**
Report of the Deputy Chief Executive and City Treasurer attached — 21 - 46

6. The Regeneration of Collyhurst - Update — **Harpurhey; Miles Platting and Newton Heath**
Report of the Strategic Director (Growth and Development) attached — 47 - 66

7. HS2 Phase 2b Western Leg (Crewe-Manchester) Hybrid Bill - Deposit of a second Additional Provision (AP2) Petitioning — **All Wards**
Report of the Strategic Director (Growth and Development) attached — 67 - 84

8. Our Town Hall Project - Progress Update — **Deansgate**
Report of the Deputy Chief Executive and City Treasurer attached — 85 - 102

9. Factory International at Aviva Studios (Part A) — **Deansgate**
Report of the Deputy Chief Executive and City Treasurer attached — 103 - 134

10. Exclusion of Press and Public
The officers consider that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the

exemption outweighs the public interest in disclosing the information. The Committee is recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item

11.	**Factory International at Aviva Studios (Part B)** Report of the Deputy Chief Executive and City Treasurer attached	**Deansgate** 135 - 142

Information about the Executive

The Executive is made up of 10 Councillors: the Leader and two Deputy Leaders of the Council and 7 Executive Members with responsibility for: Early Years, Children and Young People; Health Manchester and Adult Social Care; Finance and Resources; Environment and Transport; Vibrant Neighbourhoods; Housing and Development; and Skills, Employment and Leisure. The Leader of the Council chairs the meetings of the Executive

The Executive has full authority for implementing the Council's Budgetary and Policy Framework, and this means that most of its decisions do not need approval by Council, although they may still be subject to detailed review through the Council's overview and scrutiny procedures.

It is the Council's policy to consult people as fully as possible before making decisions that affect them. Members of the public do not have a right to speak at meetings but may do so if invited by the Chair.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to a strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public and the press are asked to leave.

Joanne Roney OBE
Chief Executive
Level 3, Town Hall Extension,
Albert Square,
Manchester, M60 2LA

Further Information

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

Michael Williamson
Tel: 0161 2343071
Email: michael.williamson@manchester.gov.uk

This agenda was issued on **Tuesday, 18 July 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester M60 2LA

Executive

Minutes of the meeting held on Wednesday, 28 June 2023

Present: Councillor Craig (Chair)

Councillors: Bridges, Hacking, Igbon, Midgley, Rahman, Rawlins, T Robinson and White

Also present as Members of the Standing Consultative Panel:
Councillors: Chambers, Douglas, Foley, Johnson, Leech, Lynch and Moran

Apologies: Councillor Akbar, Ahmed Ali and Butt

Also present: Councillor I Robinson (Ward Councillor Ancoats and Beswick)

Exe/23/54 Minutes

Decision

The Executive approved as a correct record the minutes of the meeting on 31 May 2023.

Exe/23/55 Our Manchester Progress Update

The Executive considered a report of the Chief Executive which provided an update on key areas of progress against the Our Manchester Strategy – Forward to 2025 which reset Manchester's priorities for the next five years to ensure the Council could still achieve the city's ambition set out in the Our Manchester Strategy 2016 – 2025.

The Deputy Leader reported that Manchester's homelessness figures had improved significantly, with numbers in temporary accommodation (including B&Bs) and sleeping on the streets both falling. overall numbers in temporary accommodation had fallen to 2,745 households from a peak of 3,194 at the end of last year. Reductions had been particularly marked in B&B accommodation. The overall number of households had gone down from 814 at its peak in February this year to 215 single people and 5 families, with no families now placed over six weeks. The rough sleeper count had also shown a marked decrease, down from a peak of 61 in September 2022 to 37 last month. It was acknowledged that significant ongoing challenges remained, not least the cost of living crisis, and there was zero room for complacency, but the figures illustrate progress being made through the homelessness service transformation programme.

Councillor Johnson, whilst welcoming the improved position, suggested that more joined up working of different services to help contribute to tackling homelessness

Councillor Leech welcomed the reduction in numbers and the change in policy for those who were at risk of homelessness. He sought clarification as to whether there were any unintended consequences of the improved position, specifically in relation to the impact of those who were not homeless but trying to move home and the wait that these people may have for alternative accommodation. He also sought confirmation as to what checks and balances were in place to ensure landlords did not misuse policy to evict unwanted tenants. The Deputy Leader advised that the change in policy did not intend to adversely impact on those residents that whilst not homeless, where seeking to move home and that the Council would monitor landlords to ensure they were not seeking to misuse the policy.

The Executive Member for Skills, Culture and Leisure reported on the reopening of Manchester Aquatics centre following a multi-million refurbishment to upgrade facilities and improve its energy efficiency. All areas of the building had been upgraded including all of the swimming pools, enhancements to health and fitness facilities, a new fitness class studio and a new group cycle studio, new café facilities, health suite and changing spaces with new accessible provision to support disabled people and those with additional needs. Over £3m in investment had been secured for New Green Technologies, funded by the National Public Sector Decarbonisation Scheme. Green energy systems and renewable energy sources had been implemented across the centre to reduce its carbon emissions.

The Executive Member for Skills, Culture and Leisure also reported on the partnership between the Council, Government and Lawn Tennis Association (LTA) which would see almost £500,000 invested in improving the tennis courts in nine parks across the city. Together with Manchester Active and We Do Tennis, the Council was also working with the LTA to deliver a range of tennis activities across park sites including free weekly organised park tennis sessions for Manchester people of all ages, playing levels and experience with equipment provided for those who do not have their own and it was note that the grassroots tennis boost was coming as Manchester prepared to host Davis Cup group fixtures at the AO Arena in September.

Councillor Leech sought clarification as to whether the improvements to the tennis courts across parks in Manchester would reduce longer term maintenance costs. The Executive Member for Skills, Culture and Leisure confirmed that as part of the programme of improvement, there would be budget provision for long term improvement.

The Executive Member for Children, Young People and Families reported that a new Intensive Support Programme had been brought in to give swift early and intervention to primary school children who needed extra support to meet development or social needs. The support also extended to pupil’s family or carers, who might also need help with issues including cost of living support. The 12-month council-funded programme launched earlier this year. It included a dedicated intensive support worker at the school as well as regular access to a speech and language therapist and an assistant educational psychologist. The programme was part of the five-year Making Manchester Fairer action plan, which aimed to address inequalities in the city which could start early in life and even affect how long people lived for, and their opportunities around work and housing. The plan also included work around tackling cost of living pressures and poverty, which were also integral to improving health and wellbeing.

The Executive Member for Children, Young People and Families also reported on the recent success of the Council being declared winners at the recent MJ award ceremony in the category of Innovation in Children and Adults Services for the work undertaken associated with the 2022 'Our Year' campaign

Decision

The Executive note the report.

Exe/23/56 Capital Outturn 2022/23 and Capital Programme Update

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which outlined the capital outturn position for 2022/23 including total expenditure and funding, confirmed that funding sources had been managed to best utilise resources available to fund the capital programme; and presented a revised capital programme for the 2023/24 financial year after taking into account the final outturn position as reported.

The outturn for the Council's Capital Programme in 2022/23 was £403.6m. This represented one of the largest deliveries of capital spend in the Council's history and was much higher than in previous years. It represented the continued significant investment in Manchester with over 220 live projects progressing during the year.

The Deputy Executive Member for Finance and Resources advised that the main variances to the Capital Budget related to Our Town Hall, The Factory, Housing Infrastructure Fund, Carbon Reduction Programme and Public Sector Decarbonisation and This City Housing. Details of these variances were contained in the report.

In regard to any unused grant, it was reported that, subject to conditions, these had been carried forward into 2023/24 and would be matched against future spend. The programme was managed to ensure that any grant with a risk of claw back due to time constraints or other factors was fully utilised in 2022/23. Similarly, any external contributions that have not been used will be carried forward into 2023/24.

The balance of available capital receipts carried forward from 2021/22 was £114.4m. A further £95.7m receipts were received in 2022/23 including pooled receipts from the sale of Council housing. Drawdown from capital receipts was £56.1m leaving a balance for use in future years of £154.0m, of which £94.3m relate to Housing. Any new receipts generated in 2023/24 would be available for use in future programmes and added to the amount available. The Housing receipts were expected to support the achievement of the Council's housing strategy and plans for their use would come forward in due course.

Insofar as revenue contributions to capital expenditure, these had been used to finance expenditure of £5.0m, including works on the Factory Public Realm (being a contribution from business rates income from the area), House of Sport, various Highways projects and the HR and Finance System replacement project.

In relation to the HRA Capital programme, long term borrowing of £224.6m has been used to fund this. This borrowing figure represented the amount to be funded by borrowing in the long term and was not necessarily borrowed in year. The Council's approach to actual borrowing drawn down in year was governed by its Treasury Management strategy which had taken into account the volatility of interest rates and the base rate rises. A total of £120m of long-term external debt was borrowed in 2022/23. The Council had to set aside part of its revenue budget for the repayment of its long term debt, this was known as the minimum revenue provision (MRP). The MRP for 2022/23, excluding PFIs and leases, was £32.7m, and had been funded from the Council's capital financing budget.

It was noted that inflation in the UK in the 12 months to April 2023, as measured through CPI, was currently 8.7%, down from 10.1% in March and from a recent peak of 11.1% in October 2022. Whilst this showed a downward trend which is expected to continue, the figure remains elevated. The contingent budget now stood at £7.6m which was unlikely to cover the inflationary pressures felt. As such, it was proposed to increase the inflation budget to £30m, requiring a budget increase of £22.4m, funded from borrowing. This would be equivalent to c. 3.7% of the approved capital budget for 2023/24 onward.

Unlike the Revenue Budget the Capital Budget was subject to change as new schemes and /or external funding was received. The budget was prepared in February each year on the best estimate of the start date and spend profile for each scheme and was refreshed in June for the Outturn Position. Most capital schemes covered multiple years and as schemes developed the spending profile across financial years changed to reflect the agreed start on site date and delivery of the work packages. Based on the monitoring information, it was proposed that the capital programme budget was re-phased to reflect the planned delivery of projects in 2023/24 to 2026/27 which would be reviewed throughout 2023/24 to reflect changes to the proposed profile of spend.

In addition, it was reported that there were schemes that had been developed or had received external funding that were now ready for inclusion in the Capital Programme. The proposals which required Council approval were those which were funded by the use of reserves above a cumulative total of £10 million, where the use of borrowing was required or a virement exceeded £1m. These included the following proposed changes:-

- ICT - Council Chamber AV Equipment. A capital budget increase of £0.520m was requested, funded by borrowing, to replace the existing specialist Audio Visual (AV) equipment in the Council Chamber.
- Contingency – Inflation. As noted above, it was proposed to increase the inflation contingency by £22.4m, funded by borrowing, to reflect the persistent inflationary pressures that the capital programme was continuing to experience.

The proposals which only required Executive approval were those which were funded by the use of external resources, use of capital receipts, use of reserves below £10.0m, where the proposal could be funded from existing revenue budgets or where the use of borrowing on a spend to save basis is required. The following proposals required Executive approval for changes to the City Council's capital programme:-

- Growth and Development – Shared Prosperity Fund (SPF) – Communities and Place. A budget increase of £4.3m was requested, funded from external contributions to deliver specific projects (subject to approval) which will be designed to improve and enhance district and local centres across the city, making them better places to live, work and visit and to create the conditions for further public and private investment.
- Highways Services – Victoria North Eastern Gateway Walking and Cycling Scheme. A budget increase of £5.7m was requested, funded from an External Contribution via the Mayors Challenge Fund to complete the construction of a new bridge over the Ashton Canal and two Cyclops junctions at junction of Rochdale Road/ Thompson Street and Oldham Road/Thompson Street with a segregated cycle lane along Thompson Street.
- Private Sector Housing - Disabled Facilities Grant (DFG). A budget increase of £8.483m was requested, funded from Government Grant for home adaptations for people with disabilities.
- Corporate Estates – Family Time Refurbishment. A capital budget increase of £1.2m was requested funded from Capital Receipts, and a virement of £1.5m from the approved Asset Management Programme budget to deliver significant service improvement for the Family Time Service which oversees family contact.
- Children's Services – Education Basic Needs. A budget increase of £23.865m was requested, funded from Government Grant to be used to address condition needs identified in the Council's maintained schools which included community, voluntary controlled and foundation schools.
- Private Sector Housing – Local Authority Housing Fund. In March 2023, Council approved a £6.675m budget in the capital programme to utilise £3.267m Government Grant, match funded by the Council up to £3.408m funded by Borrowing. The scheme aimed to acquire and refurbish 30 family homes (2 to 4+ beds) for families who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. At the time the budget was established the expectation was this would be a temporary accommodation model, but it has been agreed that it can be permanent accommodation and will form part of the Council's housing stock and must sit within the HRA. A capital funding switch of £3.408m was therefore being requested, reducing borrowing and funding from HRA Reserves.

Within the Capital Strategy agreed by the Council in March 2023 as part of the budget, financing principles for new capital investment proposals were agreed including that if a project would generate a robust net income stream or revenue saving that is sufficient to meet the associated capital financing costs and it can be funded from borrowing on an invest to save basis, then it should be supported. There was a risk that, given the agreed funding principles, the capacity to add invest to save schemes to the programme in a timely manner would be utilised quickly and therefore further full Council approvals would be needed. In the current financial environment of rising interest rates this could impact on the Council's ability to act quickly where there were opportunities or requirements to undertake investment where the associated capital financing costs could be funded from additional income that the proposed asset would provide. It was also agreed that the Deputy Chief Executive and City Treasurer could approve and add spend to save projects to the capital budget up to a maximum of £5m per annum, in consultation with the Executive Member for Finance and Human Resources. This was a long-standing delegation which had not been increased in line with rising capital costs, designed to support agile decision making where the risk to the Council is relatively low.

It was therefore proposed to delegate authority to the Executive to add qualifying invest to save projects to the capital budget of a further £10m per annum. This would provide a total delegated power of £15m per annum, with any approvals taken under it being reported to Council as part of the regular capital monitoring reports.

Councillor leech sought clarification in relation to the underspend within the Highways budget and whether this had been included in the 2023/24 budget for highways and whether officers were confident that the project reduction in this budget would be sufficient to dela with anticipated highway issues. He also sought clarification as to whether there was any inflationary impact by not spending all of the proposed 2022/23 capital budget and whether the proposal to add qualifying invest to save projects to the capital budget by a further £10m per annum was in line with other Local Authorities.

Decisions

The Executive:-

(1) Recommend that the Council approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix C.

(2) Recommends that the Council approve the following changes to Manchester City Council's capital programme:-

- ICT - Council Chamber AV Equipment. A capital budget increase of £0.520m, funded by borrowing.
- Contingency – Inflation. An increase to the inflation contingency by £22.4m, funded by borrowing.

(3) Approves the following changes to the City Council's capital programme:-

- Growth and Development – Shared Prosperity Fund (SPF) – Communities and Place. A budget increase of £4.,3 funded from external contributions
- Highways Services – Victoria North Eastern Gateway Walking and Cycling Scheme. A budget increase of £5.7m funded from an External Contribution via the Mayors Challenge Fund.
- Private Sector Housing - Disabled Facilities Grant (DFG). A budget increase of £8.483m funded from Government Grant.
- Corporate Estates – Family Time Refurbishment. A capital budget increase of £1.2m funded from Capital Receipts, and a virement of £1.5m from the approved Asset Management Programme.
- Children's Services – Education Basic Needs. A budget increase of £23.865m, funded from Government.

- Private Sector Housing – Local Authority Housing Fund. A capital funding switch of £3.408m, reducing borrowing and funding from HRA Reserves.

(4) Approve the proposed additional delegation of £10m for invest to save schemes

(5) Note the outturn of capital expenditure 2022/23 is £403.6m.

(6) Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2023.

(7) Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2022/23 including the use of £94.6m Grants and Contributions, £56.2m Capital receipts, £28.3m Revenue funding and £224.6m Borrowing.

(8) Note the continued inflationary pressures being experienced across the construction industry and the requirement to increase the inflation contingency by £22.4m from the remaining £7.6m to £30m, funded from borrowing.

Exe/23/57 Establishment of the new GM Bee Network Committee

The Executive considered a report of the City Solicitor and the Strategic Director (Growth and Development), which proposed new governance arrangements, in particular a new joint transport committee, to enable a more coordinated and integrated approach to Greater Manchester transport governance.

The Executive Member for Environment and Transport advised that local control of the Greater Manchester transport network, and bus franchising in particular, would change the type and number of decisions being made. Greater Manchester therefore needed to change the make-up of its decision-making bodies so as to ensure Greater Manchester's new responsibilities were discharged in an effective and transparent way.

It was proposed that a new, smaller, and more strategically focused 'Bee Network Committee' (BNC) was to be established, which would lead on transport decision-making at a regional level, taking greater ownership and responsibility for the Greater Manchester integrated transport network. As with the present GM Transport Committee, the Bee Network Committee ('BNC') would be structured as a joint committee, able to exercise decision-making powers and develop policy on behalf of the GMCA, the Mayor of Greater Manchester and the ten Constituent Councils.

Although the new committee itself would have greater delegated powers, no additional Constituent Council functions were to be transferred or delegated to the GMCA and TfGM would continue to make day-to-day operational decisions within agreed parameters and policies.

As Greater Manchester took on new responsibilities and functions, it was important that scrutiny arrangements were appropriately strong. Under these proposals, the GMCA's single, integrated Overview and Scrutiny Committee would consider transport matters in one place, alongside other policy areas, allowing for integrated consideration of issues

It was note that the GMCA and the Mayor at the GMCA meeting held on 26 May 2023 approved the new arrangements and the establishment of the Bee Network Committee as set out in the appendices to the report and recommended it on for approval by the Greater Manchester district councils.

Councillor Johnson sought clarification as to the mechanism for local councillors to inform reviews of the transport network. The E Executive Member for Environment and Transport agreed to share information with all Members as to how this could be done

Councillor Leech questioned whether the proposed arrangements for the membership of the new Committee would appropriately reflect the political balance across Greater Manchester

Decisions

The Executive:-

(1) Agree to the establishment of a new joint transport committee (the Bee Network Committee) of the Greater Manchester Combined Authority ('GMCA'), the Mayor of Greater Manchester and the ten Greater Manchester Constituent Councils.

(2) Approve the appointment of members to the Bee Network Committee as set out in Appendix 1 and appoint 1 member, preferably the Executive Member as decision-maker with responsibility for transport, and 1 substitute member to the Bee Network Committee.

(3) Approve the Terms of Reference of the Bee Network Committee as set out in Appendix 2.

(4) Note the delegation of the functions of the GMCA and of the Mayor of Greater Manchester as set out in the Terms of Reference to the Bee Network Committee attached at Appendix 2.

(5) Agree the delegation of the functions of the Council, as set out in the terms of Reference attached at Appendix 2.

(6) Approve the Rules of Procedure for the Bee Network Committee as set out in Appendix 3.

(Councillor Chambers declared a Disclosable Pecuniary Interest in this item due to her employment with Transport for Greater Manchester and left the meeting during the discussion of the item).

Exe/23/58 Implementation of new guidelines for council tax recovery as part of the Council's Anti-Poverty work.

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which outlined a proposed new policy to mitigate the impact of the cost-of-living crisis by making changes to the way the Council recovered Council Tax and related summons costs from residents who did not pay and supported the Council's wider anti-poverty work.

The Leader advised that when considering council tax debt, the Council's approach in recent years had been to take a holistic approach to recovery, where possible collecting the current year plus an amount towards the arrears. The aim as always had been to engage with residents in the most effective way and build a relationship that avoided costs and escalation wherever possible.

Where possible and based on intelligence about the city over many years, the Council took a fair and proportionate approach to the recovery of council tax that was due, seeking to engage with residents and agree affordable payment plans. Although the number of properties had been rising year on year and, until last year, the number of Council Tax Support (CTS) claimants reducing, the number of accounts receiving reminders, summons had been incrementally reducing.

The cost-of-living pressures being faced by all of the City's residents required a more flexible approach, whilst still emphasising the importance of early engagement if residents were struggling and establishing the habit of making their regular monthly instalment.

As such it was proposed to introduce a new policy which would:-

- Establish arrangements to enable the repayment of Council tax arrears over a longer period;
- Enable a more proactive approach to writing off summons costs;
- Introduce an informal breathing space arrangement and
- Move towards a more intelligence-based approach to referrals to Enforcement Agents.

These proposals would only apply to 2023/24 as £1 million funding had been allocated to cover the associated costs. From 2024/25 onwards any available funding was likely to be required to meet the costs of the proposal to increase the maximum level of CTS available to working age residents.

It was noted that it would be difficult to accurately predict the financial impact of the measures outlined in the report. In some cases, the payment plans may actually support a higher ultimate collection rate as well as providing support to residents. It was anticipated that the majority of direct financial impact will be through the increased use of discretionary support and the writing off of costs. Officers would monitor the impact of these measures, especially payments of DCTP, and include the findings in the Revenues and Benefits annual update report that would be presented to Resources and Governance Scrutiny Committee in September 2023.

Councillor Leech sought clarity as to whether the Council was actively checking records of Enforcement Agencies to ensure that, they were demonstrating their efforts to contact residents to try and resolve matters of non-payment before any enforcement action was taken.

Decision

The Executive agree to adopt the policy as set out in the appendix.

Exe/23/59 Update on the Regeneration of Ancoats Phase 3 and the Proposed City of Manchester (Phoenix Ironworks Developments) Compulsory Purchase Order 2023

The Executive considered a report of the Strategic Director (Growth and Development), which provided an update on the activities to bring forward investment and development in the next phases of Ancoats.

There had been significant work underway to deliver further sustainable growth within Ancoats Phase 3. Strategic plans for public realm and infrastructure improvements, the Ancoats Mobility Hub and new homes were now advancing to the construction phases and others were programmed to come through the planning process.

The report provided an update on the key aspects of the Infrastructure Delivery Programme.

It was reported that the Council's strategic partner Manchester Life had proposed to develop the site known as "Phoenix Ironworks" in accordance with the Neighbourhood Development Framework (NDF). The site was at the heart of Ancoats Phase 3 and critical to the delivery of the regeneration of the area.

Manchester Life, via its wholly owned company "Phoenix Ironworks Developments Ltd", had already acquired the majority of the land and buildings required for the scheme with the Council having acquired the industrial units at 1, 2 and 3 Naval Street. These strategic acquisitions demonstrated Manchester Life and the City Council's long-term commitment to deliver the regeneration of the Ancoats Phase 3 area. Once fully assembled, Phoenix Ironworks Developments Ltd was proposing to deliver 256 homes made up of 1, 2 and 3 bedroom apartments and town houses with ground floor commercial space, new maker spaces and associated hard and soft landscaping.

Whilst the majority of the land interests had been acquired, there was the unregistered freehold interest in three plots and other rights such as rent charges and restrictive covenants over several plots, remaining as the only outstanding acquisitions required to deliver the proposed scheme. The Council had consulted on the best way to resolve the above issues in order to progress and it had been suggested that the way forward would be for the Council to exercise its Compulsory Purchase Powers to acquire the unidentified land interests and rights required. Without the acquisition of the Order, it would not be possible to fully deliver the Scheme, which accorded with the NDF and recently submitted planning permission.

It was noted that the Council would in normal circumstances attempt to acquire all interests through negotiation, however as it had been unable to identify the owners of these plots this had not been possible.

Councillor I Robinson (Ward Councillor – Ancoats and Beswick) addressed the Executive on this matter. She welcomed the proposals set out in the report and expressed a view that more cultural and space for children was needed in this part of the city. She requested that officers to liaised with local ward Councillors to help minimise any disruption once development commenced.

Councillor Leech commented that an issue of personal safety at night had been raised with the developer by one of his colleagues who was also a ward councillor for Ancoats and Beswick and that he was disappointed to see no significant reference to the provision of affordable homes as part of the proposals.

The Strategic Director (Growth and Development) reported that the public realm strategy had been designed with improving public safety and that the viability assessment for the development did not provide for any affordable housing as part of the proposals.

Decisions

The Executive:-

(1) Note the significant progress made in delivering the projects contained within the Public Realm Strategy for Ancoats Phase 3 and the consented scheme for Ancoats Green improvements, TRO processes and construction of Ancoats Mobility Hub to support housing delivery as more particularly detailed in this report

(2) Authorise the making of the City of Manchester (Phoenix Ironworks Developments Ltd) Compulsory Purchase Order 2023 (“the Order”) under Section 226(1)(a) and (1A) of the Town and Country Planning Act 1990 as amended by the Planning and Compulsory Purchase Act 2004 and the Acquisition of Land Act 1981 to acquire the Order Lands for the purpose set out in the Statement of Reasons attached at Appendix 4.

(3) Note that all costs associated with the CPO and the acquisition of the Order Lands will be met by Phoenix Ironworks Developments Ltd who will reimburse the City Council for all costs incurred in accordance with a CPO Indemnity Agreement to be entered into between the City Council and Phoenix Ironworks Developments Ltd.

(4) Authorise the City Solicitor to seal the Order and to take all necessary steps, including the publication and service of all statutory notices and presentation of the Council’s case at Public Inquiry, to secure confirmation of the Order by the Secretary of State for Levelling up. Housing and Communities and the vesting of the land in the City Council.

(5) Authorise the Strategic Director of Growth and Development (if the Secretary of State notifies the Council that it has been given the power to confirm the Order) to confirm the Order, if the Secretary of State is satisfied that it is appropriate to do so.

(6) Authorise the Strategic Director of Growth and Development and the City Solicitor to make deletions from, and/or minor amendments, and modifications to the proposed Order and the Order Plan or to agree to refrain from vesting any land included within the Order should this be in their opinion appropriate.

(7) Authorise the Director of Development to:

(a) approve agreements with landowners setting out the terms of withdrawals of objections to the Order including where appropriate the exclusion of land from the Order
(b) negotiate terms for the acquisition by agreement of any outstanding interests in the land within the Order prior to its confirmation.

(8) Authorise the Strategic Director of Neighbourhoods to take all necessary steps to secure the closure of all relevant highways streets and alleyways which are required for the development to proceed, if requested by the Director of Growth and Development.

Exe/23/60 ID Manchester - SRF update

The Executive considered a report of the Strategic Director (Growth and Development), which presented a draft updated Strategic Regeneration Framework (SRF) for ID Manchester (formerly the University of Manchester's North Campus), and requested that the Executive endorse the framework in principle, subject to public consultation on the proposals.

The Leader reported that ID Manchester lay at a strategic location, forming a gateway to the Oxford Road Corridor from Piccadilly station and the city centre core. It was a key regeneration area on the southern side of the city centre, stretching from Great Jackson Street through to Mayfield.

The overall objective for ID Manchester was for a world-class innovation platform, driving skills, new ideas, and economic growth and opportunity for Manchester, the City Region and the UK.

The proposals in the updated ID Manchester SRF had the potential to create over 10,000 jobs; encourage new business growth and clustering, linked to the city's research and development strengths; and provide significant new homes, public space and facilities for local people. They would also provide new and improved routes and connections to Piccadilly, the rest of the Oxford Road Corridor, other parts of the city centre and adjacent communities.

If the draft updated ID Manchester SRF was subsequently approved by the Council, it would become a material consideration for the Council as Local Planning Authority when determining any applications within the IDM SRF area

Subject to Executive approval, a further report would be brought forward after the public consultation exercise, setting out the comments received and any changes to the final version of the draft updated IDM SRF.

Councillor Leech enquired as to whether it was proposed to provide and affordable housing on the site. It was clarified that the issue of affordable housing would form part of consultation on the SRF and the Council was committed to delivering affordable housing to all parts of the city.

Decisions

The Executive

(1) Endorse in principle the updated Strategic Regeneration Framework for ID Manchester;

(2) Request the Chief Executive undertake a public consultation exercise on the regeneration framework with local stakeholders; and

(3) Agree that a further report be brought forward, following the public consultation exercise, setting out comments received.

Exe/23/61 Large Scale Renewable Energy Generation - Power Purchase Agreement (Part A)

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which provided an update on the progress of the Council's proposal to purchase renewable energy supplies via a Power Purchase Agreement (PPA) to ensure the Council had a long term, cost effective supply of renewable energy to meet its energy needs and achieve its Zero Carbon objectives to reduce the Council's CO_2 emissions.

The Executive Member for Environment and Transport reported that a Power Purchase Agreement (PPA) was the direct purchase of renewable energy. Investment in a PPA enabled additional renewable power generation to be created and added to the national grid. The investment in a PPA was traceable directly to specific renewable energy projects such as wind and solar farms across the UK and guaranteed supply of renewable energy over a long-term supply agreement, typically between 5 and 15 years.

In November 2022, officers identified a potentially suitable large scale solar PV facility available for purchase and submitted an initial non-binding offer to the developer. A report on the potential purchase was made to Executive in January 2023. However, during the Council's detailed assessment of the proposition, the Council took the decision to withdraw from this potential purchase as the site did not pass our due diligence thresholds for viability and therefore did not offer a sound investment opportunity for the Council.

Since then, the Council had continued to explore suitable renewable energy supply options considering the available options for an asset purchase, such as a solar farm, or purchase of renewable energy via a Power Purchase Agreement (PPA), taking advice from external advisors.

In purchasing a PPA of this kind, the Council's commitment to purchase power, gave the power provider certainty of a guaranteed off taker which would help them to fund the construction of an additional renewable energy supply to the grid, thereby reducing the Council's CO2 emissions for the production of the energy that the Council used to supply its buildings and to charge its electric vehicles etc. The Council had confirmed with its advisors, including the Tyndall Centre for Climate Research, that the purchase of a PPA was a valid, and indeed essential, contribution towards the Council meeting its Zero Carbon 2038 objectives between 2025/26 and 2038.

Currently, the Council's Energy Management Unit and Procurement colleagues were finalising procurement documents required to establish a new retail electricity supply framework, projected to be in place by September 2023 to replace the now expired previous framework. It was expected that, unlike the framework this replaced, the new framework would accommodate a single supplier across all lots, so that energy taken from a renewable project could be more easily integrated into the contracts which made up the demand under consideration for this PPA.

The Council intended to seek additional support and advice from its technical consultants and its legal advisors for consideration in establishing this framework agreement.

The Leader sought an assurance that the proposal now being put forward would still enable ethe Council to achieve it sent zero ambitions to which the Deputy Chief Executive and City Treasure assured the Executive that there was no change to the Council's net zero ambitions and the proposal which was now before Members would still achieve this.

Decision

The Executive note the report

Exe/23/62 Exclusion of the Public

Decision

The Executive agrees to exclude the public during consideration of the following item which involved consideration of exempt information relating to the financial or business affairs of particular persons and public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Exe/23/63 Large Scale Renewable Energy Generation - Power Purchase Agreement (Part B)

In connection to Minute Exe/23/61, the Executive considered a report of the Deputy Chief Executive and City Treasurer, which provided details around the commercial, financial and legal arrangements in respect of the purchase of a Power Purchase Agreement (PPA) as part of the Large-Scale Renewable Energy Generation Project to act as a key contributor to enable the Council to meet the Council's Zero Carbon targets.

Decisions

The Executive:-

(1) Endorse the progression of the Power Purchase Agreement procurement in-line with the timetable outlined within the report.

(2) Delegate responsibility to the Deputy Chief Executive and City Treasurer to select the preferred bidder, negotiate and agree the contractual arrangements in consultation with Executive Members for Environment and Transport and Finance and Resources.

(3) Authorise the City Solicitor to enter into and complete on behalf of the Council all the necessary legal documentation giving effect to the above.

(4) Agree that update reports are presented to the December 2023 cycle of the Executive, Environment, Climate Change and Neighbourhoods and Resources and Governance Scrutiny Committees.

Exe/23/64 Investment in the translation and industrialisation of diagnostic biomarkers in Manchester (Part B)

In connection to Minute Exe/23/56, the Executive considered a report of the Deputy Chief Executive and City Treasurer, which provided an update on the progress and growth of APIS Assay and summarised the company's business plan and proposals to seek further investment to promote its ambitious plans to grow and become a leader in health innovation.

Decisions

The Executive:-

(1) Approve the Business Plan and endorse the company's proposals to seek further investment in line with the business plan to enable Manchester and Greater Manchester residents to benefit from the innovations in diagnostics and personalised medicines.

(2) Delegate responsibility to the Deputy Chief Executive and City Treasurer and City Solicitor in consultation with the Executive Member for Finance and Resources to approve the terms of any investment and all commercial arrangements.

(3) Authorise the City Solicitor to enter into and complete on behalf of the Council all the necessary legal documentation giving effect to the above.

Manchester City Council
Report for Resolution

Report to: Executive – 26 July 2023

Subject: Revenue Monitoring to the end of May 2023

Report of: Deputy Chief Executive and City Treasurer

Purpose of the Report

The report outlines the projected outturn position for 2023/24, based on expenditure and income activity as at the end of May 2023 and future projections.

Recommendations

The Executive is requested to:

(1) Note the global revenue monitoring report and forecast outturn position which is showing a £8.732m overspend.
(2) Approve budget virements to be reflected in the budget (para. 2.7).
(3) Approve the use of additional revenue grant funding (para. 2.8).
(4) Approve the use of additional capital grant and match-funding by capital receipts (para. 2.9).
(5) Approve the use of budgets to be allocated, (para. 2.10 to 2.13).
(6) Approve the use of reserves (para 2.14).

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 £8.732m for 2023/24, based on activity to date and projected trends in income and expenditure, government funding confirmed to date and other changes.

This report focuses on 2023/24, however 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

The proposals in this report would increase the capital budget by £2.5m for the second round of funding for the Local Authority Housing Fund. This will be funded from £1.120m of grant, and £1.380m of capital receipts. This is currently going through the capital approval process.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Tel: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Tel: 0161 234 1017
E-mail: tom.wilkinson@manchester.gov.uk

Name: Samantha McArdle
Position: Corporate Finance Lead

Telephone: 0161 234 3472
E-mail: samantha.mcardle@manchester.gov.uk

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 2023

1.0 Introduction

1.1. This report provides an overview of the Council's current financial position for 2023/24. The forecast position for 2023/24 is an overspend of £8.732m.

2.0 Financial position 2023/24

2.1 The current budget monitoring forecast is an overspend of £8.732m. There are considerable risks to the position relating to the impact of rising demand and increasing costs. The main pressures are being felt in the social care budgets reflecting the national pressures in the health and social care sector and trends being experienced across local authorities

2.2 There is a £5.2m overspend in Adult Social care which is largely in the provision of long term care arrangements. Demand is above the 2023/24 budget assumptions, notably for older people residential and nursing care and homecare and on supported accommodation for people with learning disabilities and physical disabilities. Whilst strong progress on the approach to reduce demand through 'prevent, reduce and delay' is being made through the Better Outcomes Better Lives (BOBL) initiative, there will be significant challenges on the budget in 2023/24. However, it is unlikely that the additional demand management savings (£5.5m) envisaged from client social care packages will be delivered. A response plan is in development through Manchester Local Care Organisation (MLCO) Finance Performance Steering Group and the outcomes of this will be included in the next Global Monitoring Report.

2.3 The forecast £2.7m overspend in Children's Services is largely due to an increase in external residential placement costs. The directorate has a mitigation plan in place which has reduced the forecast overspend from £5.1m to £2.7m by the end of this financial year. Further in year mitigations are being explored. Investment in provision for those children with higher levels of needs is underway as set out in the Children's Services Budget Report. Once this work is complete this should reduce some of the pressures on the external residential care budgets.

2.4 The main variations in the other service departments total £0.8m and are made up of overspends of £0.7m in Neighbourhood Services, due to ongoing income pressures in markets and overspends in Parks, Leisure and Youth from income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss; £0.5m in Corporate Core mainly due to the additional costs of running the May 2023 Elections with the introduction of voter identification requirements. These are offset by underspends of £270k in Public Health, arising from vacant posts and maximising external funding; and £151k in Growth and Development due to only have part year costs of staff in the new infrastructure investment team.

2.5 £25.2m of savings were agreed as part of the budget process. Of these £15.1m (60%) are on track for delivery, £1.8m (7%) are risk rated medium, and £8.3m (33%) rated high risk in terms of the likelihood of delivery. Officers are working to identify alternative savings where original plans may not be achieved or delayed. The red rated savings are in social care.

2.6 Full details about the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended budget increases for additional funding and the allocation of inflation funding set out below for the consideration and approval of Executive.

Virements

2.7 The following budget virements are presented for approval

- Pension Saving – The approved budget included a saving of £2.950m from reduced pension costs. £0.519m has been met through a reduction in the Corporate additional allowances budget to reflect the reduced number of recipients. The remaining £2.431m has been achieved through the 0.7% reduction in the pension contribution rate. The reduced rate is a result of the recent actuarial valuation of the Greater Manchester Pension Fund. Service budgets have been adjusted to reflect the reduced employer pension contribution costs as follows:
    - Corporate Core - £0.668m
    - Adult Social Care - £0.602m
    - Children's - £0.572m
    - Neighbourhoods - £493k
    - Growth and Development - £63k
    - Public Health - £33k
- The transfer of Workplace Adjustment Hub budgets from HROD to Audit, Risk and Resilience - £250k. The workplace adjustment hub has been set up and there are a number of posts delivering this which sit within the Health and Safety team within Audit, Risk and Resilience.
- The transfer of £0.580m budget relating to Zero Carbon from Policy and Partnerships. This is part of the budget increase agreed in 2022/23 to increase capacity to deliver our zero carbon objectives. The funding has been allocated to the posts that are delivering the Climate Change Action Plan (CCAP) priorities as follows:
    - HROD - £218k
    - Housing and Residential Growth - £131k
    - Procurement and Commissioning - £124k
    - City Centre Regeneration - £107k
- The approved budget included £3.5m to support residents through the cost-of-living crisis. The budget was originally held against Revenues and Benefits budget whilst plans were developed. It is now requested this is applied to the following services where Cost of Living Measures will be implemented:
    - Revenue and Benefits £1.3m - to increase existing support to residents through Welfare Provision and Discretionary Housing payments
    - Neighbourhood Teams £1.0m - Food response service
    - Core - Policy and Partnerships £0.6m - support to voluntary and community groups
    - Public Health £250k - Community Health Equity for Manchester support to community groups
    - Homelessness £250k - additional advice offer to support residents
    - Libraries, Galleries and Culture £45k - to support digital inclusion

  - Core - Communications £40k - communications and engagement to residents
- The transfer of the Community Development Team 'Buzz' Budgets from Public Health to Neighbourhoods - £0.817m. This is the transfer of the Community Development Team from Greater Manchester Mental Health NHS Foundation Trust, formerly commissioned by Public Health to now be delivered in house by MCC's Neighbourhood Services Directorate.
- The transfer of Equality, Diversion and Inclusion to Public Health - £304k. A report was approved on the 19 October 2022 to create a joint Director of Equalities Inclusion and Engagement with the NHS. Following this appointment, it was agreed that the existing Equality, Diversion and Inclusion team should transfer under this post within Public Health.
- The transfer of budgets between Capital Financing budgets and Service Budgets to simplify accounting arrangements. There is c£3.582m of revenue activity currently funded from capital financing budgets on an annual basis, and similarly there are recharges of c£7.293m from service budgets to pay down capital financing costs for schemes which have previously been funded from borrowing on an invest to save basis. Transferring the budgets reduces the number of recharges required across the organisation – net change to Service budgets (£3.711m).

Additional Revenue Grants

2.8 Since the 2023/24 budget was approved there have been additional grant notifications which are now reflected in the revised budget as follows:

- S31 Grant Family Hubs and Start for Life programme 2023-24 - £2.2m. In October 2021 the government announced £301.75 million for 75 upper tier local authorities in England to deliver Start for Life and family services over 3 financial years (FY), 2022-23 to 2024-25. The programme's core objective is to improve the universal Start for Life offer and transform the delivery of family services in local authority areas with the highest levels of deprivation and disproportionately poor health and educational outcomes, to support the government's levelling up ambitions. Manchester Allocation is £2,235,176 for 2023-24. There is already £1.654m built in the budget.
- In the 2023 Spring Budget Local Authorities were notified that additional of Early Years funding (within DSG) of £204 million in 2023-24 and £288 million in 2024-25. In order to increase the amount of funding paid to childcare providers for the existing childcare entitlement offers and other early years funding streams. As a result of this funding, funding rates to local authorities by an average of 32%, for the current 2-year-old entitlement, and an average of 6.3% for the 3-and-4-year-old entitlements, compared with the current 2023-24 rates. The detail is being worked through on what it means for our providers.
- Homelessness Prevention Grant Top-up 2023/24 - £0.969m. In England, the funding will be provided to local authorities as a top-up to the Homelessness Prevention Grant (HPG) and is allocated 66% based on the existing Homelessness Prevention Grant allocations and 34% based on Homes for Ukraine arrivals.

- Council Tax Energy Rebate scheme administration - £317k. To offset the costs incurred in facilitating the Core and Discretionary schemes. This includes the cost of agency call centre staff, postage and printing charges, IT development and software charges and the administration charges associated with enabling redeemable Post Office vouchers.
- New Burden's funding – Elections - £159k. The introduction of the Electoral Integrity Programme has placed a burden on all local authorities in various ways, including, for example, the time administrative staff will need to process applications for Voter Authority Certificates, additional equipment that may be required for some offices or polling stations, and additional poll clerks that may need to be required for polling day. DLUHC is therefore responsible for providing local authorities with funding for this additional burden. Elections will need to access this funding to achieve the aims of the Elections Act 2022
- UK shared prosperity fund – communities and place theme £0.648m in 2023/24 and £175k in 2024/25. The Withington Village Strategic Framework identified a number of key interventions to improve the town centre and the above projects aim to make public realm improvements, specifically to create high quality public space with improved green infrastructure, areas to rest and provide the town centre with an open space suitable to host local events. It will not only increase accessibility but provide resilience to current operators and potential for diversification and improve community cohesion.

Capital Grants

2.9 Notification of the following capital grant has been received, which will increase the capital programme:

- In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250 million for a second round of funding (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes (ARAP/ACRS) currently in bridging accommodation and the rest used to ease wider homelessness pressures. Indicative funding of £1.120m has been allocated to Manchester as part of the Local Authority Housing Fund (Round 2) to purchase an additional 10 properties, this would require capital match funding of £1.380m which will be funded through HRA capital receipts.

Budgets to be allocated - Inflationary funding

2.10 When the budget was set in February 2023 a total of £14.3m was identified for price and electricity inflation. £2.2m was allocated to Children's for internal placements, £0.5m to Education Home to School Transport and £2.7m to Adults as a contribution to market sustainability. This left £8.8m available for inflation pressures which were to be quantified in year. This is held corporately and allocated in year once the costs are known and the business cases made.

2.11 Inflationary budget requests from Children's services totalling £2.442m are brought forward for approval as follows:

- Fostering and Residential Placements £2m - There are four regional purchasing systems in the North-West managed by Placements North-West, these include fostering, residential, supported accommodation and SEND provision. As part of a series of proposals to improve the sufficiency of placements for Looked After Children it has been agreed by NWADCS and Commissioning Managers to align the approach to uplifts across the four purchasing systems. Regionally it has been agreed that a 7.3% uplift would be applied to new fostering and residential placements. In addition, several providers have requested uplifts on existing placements. For Manchester the increased cost is £2.520m of which £0.520m will be funded through external contributions. The balance of £2m is requested from the corporate inflation provision.
- Home to school transport inflation £112k. The Home to School Transport Service continues to face challenges with significant operator cost rises being passed on to the service.
- Travel Passes - £35k. With significant increases in fuel costs and wages, Transport for Greater Manchester (TFGM) increased the cost of providing free travel passes by 6.2% to £391.40 per pass in September 2022. The full year impact of this is an additional £35k based on current passenger numbers
- Regional Adoption Agency - £83k. The Regional Adoption Agency is a partnership of 4 Local Authorities and Stockport is the lead Authority and Manchester pays a contribution to the partnership budgets. Individual Authorities contributions have increased by varying amounts depending on the formula and spend drivers. Manchester’s contribution for 2023/24 is £1,821,768 compared to £1,738,483 in 2022/23 so a 4.8% increase. This increase in pressures includes an estimate of 4% for 2023/24 pay award, and the additional pay award for 2022/23 over and above what was budgeted, as well as some inflation on non- staffing budgets.
- Education Psychology uplift - £212k. Education Psychology services provided by One Education work with children and young people who are experiencing barriers to their successful learning and participation in settings, schools’ colleges, and other activities. The daily rate of the EP contract is increasing by 12% from £625 to £700 from when this was last reviewed in 2021/22.

2.12 If the above requests are approved this will leave £6.4m in the corporate price and utilities inflation budget. Additional inflation requests are currently being considered and will be brought back to a future Executive meeting for approval. At this stage it is envisioned the known increased costs can be contained within the available inflationary budgets made available for 2023/24.

2.13 Allowance for a 6% pay increase was allowed for in the budget costing an estimated £15.6m. In February the National Employers offered a £1,925 pay increase from 1 April 2023 and 3.88% for those above the top of the pay spine. The estimated budget requirement to fund this offer for MCC staff is £15.5m for 2023/24, and therefore within the available budget. Should any pay award above this level be agreed, this will exceed the current provision in the budget. A 1% increase in pay award would costs c£2.6m.

Reserves

2.14 The following requests are for use of reserves:

- Collection Initiatives Reserve - GovTech automation - £311k in 2023/24 and £198k in 2024/25. The request for use of Collection Initiatives Reserve was reported in the Medium-Term Financial Strategy (Appendix 5: Reserve Strategy) on 15 February 2023. This is being reported again as costs and plans have now been confirmed. The reserve will be applied over two years for the implementation and supporting costs of GovTech software which will deliver efficiency through streamlining and automating back-office processes on the council tax and housing benefits/council tax support system. Additionally, an increase in council tax collection is anticipated due to more prompt and accurate billing and setting up of payment arrangements.

3.0 Conclusion

3.1 The current forecast is an overspend of £8.732m which reflects significant pressures in Long Term Adult Social Care and increased external residential costs for Looked After Children. It is very early in the financial year and vigilance is needed given there are significant uncertainties and risks to the position as cost of living and inflationary pressures could increase.

3.2 Any overspend this year will be a direct call on the General Fund reserve which would need to be reimbursed in future years, therefore it is important mitigations are identified to bring forecast spend back in line with the available budget.

This page is intentionally left blank

Appendix 1: Revenue Budget Monitoring Report

Financial Year 2023/24 Period 2

Executive 26th July 2023

Revenue Finance Executive Summary

- The Council is forecasting to overspend against its Revenue Budget for 2023/24 by £8.732m, mainly pertaining to a £5.2m overspend in Adult Social Care due to an overspend in long-term care, and a £2.7m overspend in Children's Services due to increases in External Residential costs, with other variances totalling £0.8m.
- Planned total Directorate savings in 2023/24 total £25.2m. Of these £8.3m (33%) are high risk, £1.8m (7%) are medium risk and £15.1m (60%) are low risk in that they are on track to be achieved or mitigated. Work is ongoing to find alternative savings where original plans may not be achieved.

Summary P2	Original Budget	Revised Budget	Projected Outturn	Variance from Budget
	£000	£000	£000	£000
Total Corporate Resources Available	**(745,218)**	**(747,832)**	**(747,832)**	**0**
Total Corporate Costs	**123,025**	**125,435**	**125,435**	**0**
Children's Services	138,234	137,662	140,402	2,740
Adult Social Care	211,947	211,234	216,479	5,245
Public Health	41,955	43,409	43,139	(270)
Neighbourhoods	104,103	105,979	106,647	668
Homelessness	31,191	31,322	31,322	0
Growth and Development	(9,733)	(9,558)	(9,709)	(151)
Corporate Core	104,496	102,349	102,849	500
Total Directorate Budgets	**622,193**	**622,397**	**631,129**	**8,732**
Total Use of Resources	**745,218**	**747,832**	**756,564**	**8,732**
Total forecast over / (under) spend	**0**	**0**	**8,732**	**8,732**

Corporate Resources and Costs

- At this early stage in the year corporate resources and costs are forecast at budget. The main risks are pay and price inflation.
- Inflation levels remain high at 8.7% in June, the same as May 2023. £8.9m is available for price and utility increases, which is considered manageable at this stage.
- The 2023/24 budget allows £15.6m for an assumed 2023/24 pay award averaging 6%. This is in line with the current employer's offer. Should any pay award above this level be agreed, this will exceed the current provision in the budget. A 1% increase in pay award would costs c£2.6m.

Children's Services

- As at Period 2 there is a projected year end overspend of £2.740m, this is after taking account of £5.069m mitigations against key pressures.
- The underlying cost drivers relate to higher placement costs for Looked After Children (LAC) and Care Leavers Supported Accommodation, small increases in External Residential and Care Leaver placements numbers, Remand activity, and Home to School Transport pressures. The biggest pressure relates to lack of availability of external residential placements and needs of current cohort, leading to a 44% increase in the unit cost and 6 placements over what was planned for.
- To manage the position this year the Directorate has put in place a plan to mitigate down the financial impact of the pressures.

- The Directorate anticipated the external residential pressures at budget setting and invested in developing provision for those children with the highest level of need. This investment has experienced delays which are attributable to external forces, this impacts on current projections and full impact is expected to be during 2024/25. Hence the need to focus on driving mitigations for current year pressures.

Dedicated Schools Grant (DSG)

- As at Period 2 - DSG overall position is projecting an in-year balanced budget position. The budget was set with an expected surplus to cover previous years deficits, but with the significant pressures of £5.690m in four key areas, education health care plans, education independent sector placements, inter authority placements and post 16. At period 2 it is unlikely the recovery plan agreed by the service will be met in full, due to length of time taken to drive through efficiencies. At this stage this means the deficit is still forecast to remain at the end of 2023/24 at £1.417m. The recovery plan is now estimated to cover £3.990m of the in-year 2023/24 pressures, this is c.50% of the initial recovery plan estimated at £8.382m.

Adult Social Care

- The forecast outturn based on information to the end of May is indicating an overspend of £5.245m. This reflects the national challenges facing health and social care and based on information currently available, it is not prudent to build in expectations on the delivery of the additional demand management savings (£5.5m) from client social care packages.
- A response plan is in development through MLCO Finance Performance Steering Group. There is a significant full year effect of the 14% growth in homecare commissioned hours in 2022/23 not currently within budget assumptions and which is currently being evaluated.
- Activity in key areas is also above 2023/24 budget assumptions, notably older people residential and nursing and homecare and LD supported accommodation. There is potential significant cost of transitions packages to be confirmed. £6.675m of the £14.694m funding envelope for care uplifts has been allocated to date. All demographic funding has been fully deployed. Whilst strong progress on 'prevent, reduce and delay' is being made through BOBL, there will be significant challenges on the budget in 2023/24.

Public Health

- Public Health have a £270k forecast underspend at year end. This coming year will present a number of challenges and opportunities for Public Health as the service look to develop and embed the Making Manchester Fairer (MMF) programme and exit the intensity of the Covid-19 pressure. The MMF programme has a budget of £2.989m and commitments of £2.1m already in progress. A review of all Public Health budgets has been undertaken as they move away from the heavy burden of Covid-19 work and move back into the preventative health arena. Savings of £0.730m are expected to be achieved in full.

Neighbourhoods

- As at Period 2 Neighbourhood Services are forecasting a £0.668m overspend, this is mainly due to ongoing pressures in markets due to the reduced income from Christmas markets, as well as overspend in Parks, Leisure and Youth, this is due to a combination of lost income during the refurbishment of both the Aquatic Centre, and the Abraham Moss Centre increased costs due to costs of taking on management arrangements at both Broadway Leisure Centre and the Wythenshawe active lifestyle centre.
- The pressures above are partially mitigated by underspends in staffing in Compliance and in Libraries. In addition to the forecast staffing underspends there is higher than forecast income in advertising due to the application of the annual contracted inflationary uplift, and in bereavements based on current trends.

Homelessness

- The forecast outturn is a breakeven position. Although there are potential pressures in Homelessness the number of families in B&B accommodation has reduced significantly, this is because of the considerable amount of work which has been undertaken to move on those in B&B and to increase prevention. This reduction contrasts with other LA's where Temporary Accommodation numbers are increasing to levels not seen previously. The decrease in numbers is attributable to the intensive assertive individualised approach, a new off-the-street accommodation offer and increased partnership working to address systematic barriers and gaps between services as people require additional mental health and drug and alcohol support to sustain accommodation.

- The work with Strategic Housing in ensuring the social allocations policy was changed has been fundamental in changing our conversations with people at the front door. The close one-team approach with Housing Services in managing the Manchester Move process and the move on work with Registered Providers has made a significant impact.

Housing Revenue Account (HRA)

- The approved 2023/24 HRA budget is a gross c.£117m and this includes forecast capital investment of c£59.5m, The HRA is forecasting an overall overspend of £8.975m, and this is made up of a combination of higher than forecast costs for both repairs and maintenance and management costs, increased PFI costs due to higher than forecast inflation and increased capital funding in respect of the agreed additional capital investment. The overspends are offset by c£0.546m underspends in respect of higher interest receipts due to higher than forecast interest rates.
- The HRA is a ringfenced account and based on the current forecast P2 position the reserves are forecast to be exhausted by 2032/33, this is based on a number of assumptions and any changes to the assumptions can have a significant impact on the overall business plan over the 30 year period. There are emerging priority areas that are needing to be addressed and the impact on the HRA business plan must be considered in order to ensure it is sustainable going forward.

Growth and Development

- As at Period 2 the Directorate is forecasting a net £151k underspend, this is made up of £207k underspend due to staff savings from only part year appointment to posts in the infrastructure delivery team, offset by £56k pressures from lower than forecast income at Space Studios. Whilst there is a small positive variance there are other areas across the Directorate whereby there are currently no forecast variances but as we progress through the year, any variances will become apparent, this includes the Investment Estate where there are a number of known pressures currently, including Arndale centre rentals, former Computer Centre at Wythenshawe it is expected that these will be mitigated in year through other increased rental income arising from in year rent reviews.

Corporate Core

- As at Period 2 the Corporate Core is forecasting an overspend of £0.5m, this is made up of Chief Executives overspend of £0.8m, partially offset by Corporate Services underspend of £300k.
- Chief Executives main areas of overspending are Elections £0.6m increased costs due to costs of introducing and managing the new voter id requirements, and £250k lower than forecast income in Legal services. A grant claim is being prepared in respect of the additional election costs, but the success or otherwise of the claim is unlikely to be known until later in the financial year.
- The £300k underspend in Corporate Services is due to staffing underspends in both financial management, procurement, and commercial governance £175k and £125k in internal audit.

Appendix 2: Detailed Financial information

Corporate Resources - Breakeven

Corporate Resources	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Retained Business Rates	(297,929)	(297,929)	0
Business Rates Grants	(87,597)	(87,597)	0
Council Tax	(217,968)	(217,968)	0
Other Specific Grants	(126,577)	(126,577)	0
Use of Reserves	(17,761)	(17,761)	0
Total Corporate Resources	**(747,832)**	**(747,832)**	**0**

Corporate Resources - Financial Headlines

- Business Rates Collection as at the end of May is 24.6% (excluding account credits) compared to 24.9% in 2022/23, 13.3% in 2021/22 and 13.7% in 2020/21.
- Council Tax Collection at end of May is 17.0% which compares to 17.3% in 2022/23, 17.9% in 2021/22, and 16.6% in 2020/21.
- Invoices paid within 30 days is 90.82%, against the target of 95%.
- £4.945m (14%) of £35.026m of pursuable debt is over a year old and still to be recovered by the Council.

Corporate Costs - Breakeven

Corporate Costs	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Other Corporate Items	51,845	51,845	0
Contingency	600	600	0
Inflationary Budgets and Budgets to be Allocated	24,476	24,476	0
Apprentice Levy	1,060	1,060	0
Levies	39,407	39,407	0
Historic Pension Costs	8,047	8,047	0
Transfer to Budget Smoothing Reserve	0	0	0
Total Corporate Costs	**125,435**	**125,435**	**0**

Corporate Costs - Financial Headlines

- Budgets are on track at this early stage in the financial year. The Consumer Prices Index (CPI) is 8.7% in the 12 months to June 2023, the same as May 2023. At this stage, it is expected price inflation can be contained within the inflation budgets available. Allowance has been made for the 2023/24 pay award in line with the current employer's offer. Should this be settled at a higher level there will be a budget pressure.
- Historic pension payments are increased annually from April by the CPI % rate in September of the previous year. Usually, these costs reduce as the number of recipients fall throughout the year, however, any reductions in volume are likely to be offset by the high increases in pension payments due to September 2022 CPI being 10.1%. This will be closely monitored throughout the year.

Children's Services - £2.740m overspend

Children's Services	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
LAC Placements	47,272	49,791	2,519
LAC Placement Services	8,154	8,284	130
Permanence & Leaving Care	16,415	15,811	(603)

Safeguarding Service Areas	38,012	38,133	122
Children's Safeguarding	**109,853**	**112,019**	**2,166**
Education Services	7,273	7,215	(58)
Home to School Transport	13,676	14,325	649
Targeted Youth Support Service	811	811	0
Education	**21,760**	**22,351**	**591**
Strategic Mgmt. & Business Support	6,049	6,032	(18)
Total Children's & Education Services	**137,662**	**140,402**	**2,740**

Children's and Education Services - Financial Headlines

The Children and Education Services Directorate is responsible for delivering the Council's statutory duties and responsibilities in respect of children in need of help, support and protection. Whilst at the same time ensuring they have access to a high-quality education and learning experience. The overall gross budget totals £234.226m with a net budget totalling £137.662m, on top of this the Directorate is responsible for £364.871m Dedicated Schools Grant (DSG).

£110m of the net Children's Services budget is focused on supporting 5,329 Children in Need and Looked After Children (including Unaccompanied Asylum-Seeking Children) with the balance of the budget focused on Local Authority Education duties and management.

The underlying position is mostly due to higher placement costs for Looked After Children (LAC) and Supported Accommodation for Care Leavers rather than an increase in number of LAC and Care Leavers. The increase in Remand activity, and Home to School Transport price and volume pressures is also contributing the deficit. Of note is that in the last 13 months there has been a 71 drop in LAC with corresponding drop of 23 fostering placements and 39 placed with parents' placements.

As at Period 2 there is a projected year end overspend of £2.740m, this is after taking account of £5.069m mitigations against key pressures. Variances and action to mitigate is provided below:

- **£2.519m LAC placement overspend** due to spend in External Residential costs. Overall LAC placement numbers are 40 below budget however, due to external market forces and the needs of Our Children has led to an increase in prices for external residential placements.
- The external residential placement budget is forecast to overspend if no mitigations take place by £9.677m. £2.979m of this pressure is due to there being 91 placements, 6 placements higher than budgeted for (3 external residential and 3 unregistered), £5.698m of the overspend is due to the average external residential weekly cost being 44% higher than what was budgeted for. The lack of availability of external residential placements and needs of current cohort has led to this significant increase. This price increase has impacted on the achievement of the £3m Managing Demand saving. There has been a significant increase in external residential unit cost since budget setting last year.
- Fostering and Internal Residential budget underspends amount to £3.601m and off-set part of the external residential pressures outlined above. This off-set is available due to the overall stability in Look After Children placement numbers and placement types previously the 2023/24 budget was based on 3% growth compared to last year's placement numbers by type
- The Directorate is undertaking mitigating actions to manage down this pressure amounting to £2.557m in this area. Namely: step downs and transitions plans have been established with the high-cost placements which should lead to a reduction in costs (£1.917m). Delayed opening of Take Breath models (£0.640m).

- **£130k LAC placement services** overspend on non-staffing budgets in the Leaving Care Service (i.e. travel and premises) and Fostering Service vacancies being filled by agency which is required to support a growing workforce cohort to ensure Fostering Caseworker caseloads remain at a safe and manageable level.
- **£0.603m Permanence and Leaving Care placement** underspends, overall placements numbers are 960, 63 below budget and are helping to off-set LAC pressures outlined above. In addition to the permanence and

leaving care placements there are currently 434 UASC and Care Leaver placements compared to a budget of 430. There are also 131 young people receiving support but are in their own accommodation compared to a budget of 127.

- The current projection is after mitigation of £283k on supported accommodation placements following review of Care Leavers over 18 years old and high cost placements.
- Nationally there has been a rise in children presenting as seeking asylum particularly in the Northwest which has seen an acute rise, the number of UASC placements in Manchester is likely to rise further. Due to increased demand and need for Supported Accommodation and Leaving Care placements the service is having to commission placements out of city at an additional cost of £400 per week, total impact of £1.3m. The Directorate will receive support to mitigate this additional cost from £1m Resettlement Funding.

- **£122k Safeguarding Service overspend.** It has been assumed that a £0.850m remand pressure will be off-set by additional grant funding expected on Remand from Ministry of Justice due to potential change in funding mechanism. Greater Manchester is exploring the participation in a two-Year pilot, Manchester is likely to lead on this so a further resource may be required.
- **£58k Education Services underspend.** Attendance service pressures have been off-set by underspends elsewhere in the service.
- **£0.649m Home to Schools Transport pressure** have increased due to a combination of fuel prices, increased eligible children and a shortage in provision in the market pushing prices up. The service has been reviewed and is reshaping the service delivery. It is expected that the recommendations will enable the service to manage down the pressures. The forecast would have been £2.149m overspent had it not been for mitigation of £500k from grant income and £1m (one-off) additional budget that was agreed at budget setting.
- **£18k Strategic Management and Business Support** staffing underspend.

The lack of availability of external residential placements and needs of current cohort has led to a 44% increase in the unit cost of placements and 6 placements over what was planned for. To manage the position this year the Directorate has put in place a plan to mitigate down the financial impact of the pressures. In addition to this all reserves and grants will be reviewed next month to assess whether further one-off mitigation is available.

The Directorate budget approach is cost avoidance, care planning, commissioning and efficiency, which remains relevant, and the evidence indicates this is the right one to manage avoiding children unnecessarily becoming LAC and excessive high-cost placements. The investment programme has experienced delay which is attributable to external forces this will potentially limit the anticipated impact of current projections whilst expected to have full impact in 2024/25. Hence the need to focus on driving mitigations for current year pressures.

The rising costs of special educational needs transport and increase in demand for Home to School Transport are significant. The service expects that the improvement plan will help to reduce current pressures on an on-going basis. The service is working through whether current and planned measures will bring the position back into balance.

Children's Services Dedicated Schools Grant - £1.417m cumulative overspend

Dedicated Schools Grant (DSG)*	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Schools Block	202,026	202,026	0
Central Services Block	3,824	3,824	0
High Needs Block	117,527	117,527	0
Early Years Block	41,494	41,494	0
Total in-year	**364,871**	**364,871**	**0**
Deficit b/fwd	**0**	**0**	**1,417**
Overall DSG position	**364,871**	**364,871**	**1,417**

*The DSG Budget is a ringfenced account and is not part of MCC's General Fund Budgets.

Dedicated School Grant (DSG) - Financial Headlines

Dedicated Schools Grant (DSG) in 2023/24 totals £674m, of which £309m is top sliced by the Department for Education (DfE) to pay for academy budgets leaving a £364.871m budget that is directly managed by the Council and its maintained schools. This includes additional grant funding provided for the high needs block (HNB) of £5m allocated by the DfE in recognition for schools cost pressures.

The high needs block before mitigating actions have been taken has £3.990m of pressures in four key areas: education health care plans (EHCP), education independent sector placements, inter authority placements and post 16. As at the end of May 2023it is unlikely the high needs block recovery plan agreed by the service will be met in full, due to length of time taken to drive through efficiencies, in an area where demographic pressures continue to drive demand. The recovery plan is now estimated to cover £3.990m of the in-year 2023/24 pressures, this is c.50% of the initial recovery plan estimated at £8.382m. Therefore, the deficit brought forward from last financial year of £1.417m is still forecast to remain at the end of 2023/24.

At this stage in the year there are no indications that there will be variances in the other DSG blocks.

Adult Social Care / Manchester Local Care Organisation - £5.245m overspend

Adult Social Care	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Long Term Care:			
Older People/Physical Disability	47,837	52,162	4,324
Learning Disability	58,845	61,876	3,031
Mental Health	24,434	26,542	2,108
Disability Supported Accommodation Service	16,702	17,456	754
Investment funding	10,715	10,714	(1)
Sub Total	**158,533**	**168,750**	**10,217**
Short Term Care:			
Reablement/Short Term Intervention Team	8,400	8,250	(150)
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,334	5,531	197
Equipment & Adaptations	4,954	4,654	(300)
Carers/Voluntary Sector	3,326	3,320	(6)
Sub Total	**22,014**	**21,755**	**(259)**
Infrastructure and Back Office:			
Social Work teams	17,456	16,693	(763)
Safeguarding/Emergency Duty	3,582	3,700	118
Brokerage teams	1,420	1,422	2
Management and support	8,229	4,159	(4,070)
Sub Total	**30,687**	**25,974**	**(4,713)**
Total Adult Social Care	**211,234**	**216,479**	**5,245**

Adult Social Care - Financial Headlines

The forecast outturn based on information to the end of May is indicating an overspend of £5.245m. This reflects the national challenges facing health and social care and based on information currently available, it is not prudent to build in expectations on the delivery of the additional demand management savings from client social care packages. The Better Outcomes Better Lives (BOBL) Board is overseeing all programmes of work aimed at prevent, reduce and delay care costs. The BOBL programme remains the primary source of reducing spend whilst also helping citizens to achieve independence and better life outcomes, by preventing, reducing and delaying demand into adult social care. These achievements have been supported by operating a strengths-based approach and implementing an improved short-term care offer and improved commissioning practices. Throughout 2022/23 the number of clients in >65 residential and nursing placements reduced from 839 at the start of the year to 698 at outturn. As at period 2, there are 717, with a high proportion requiring additional 1-2-1 support. This is higher than modelled and places a pressure on the budget. In addition to the increase in >65s, there is an additional 7 clients into external learning disability supported accommodation placements since outturn. Here, numbers have increased from 313 at period 9, 316 at outturn, to 323 at period 2. Some of these clients have transitioned from Children's Services on high-cost packages.

Key considerations include:

- The full year effect of the 14% increase in homecare through 2022/23 is substantial and currently being evaluated against the Period 2 position (£1.3m overspend);
- Full delivery of the £4.142m savings target through increasing the vacancy factor on all staffing budgets, releasing £2.275m from the ASC reserve to smooth savings in year, a review of transport usage and re-financing of assessment posts to the DFG;
- £14.694m of funding is fully deployed to support the care market with a notable increase in fees, which also start to move towards a 'fair cost of care';
- £2m of reserves agreed for support to the care market together with all remaining funding (£1.508m) not yet deployed is utilised to offset activity pressures and the demand management savings;
- The investment programme (£3.118m) agreed in the 2023/24 budget will be substantially delivered, this will be further assessed at Period 4.

The key financial risks are:

- 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £8.977m to be delivered in 2023/24. £3.477m is achieved through prevent, reduce and delay approaches. The balance of £5.500m is to be delivered through specific additional demand management interventions. Key components notably mental health £1.5m and Learning Disability £2m are considered to be very high risk. The complex review team is currently being established. The current increase in client numbers on older people residential and nursing (+19) similarly signals an increase in risk on this aspect £1.5m (target is reduction of -42) and similarly homecare hours have increased (483 hrs pw) against a target reduction of 590 hrs pw, impacting on the delivery of £0.5m saving;
- Work with Children's Services is suggesting an increase in transitions packages during this year with potential for significant cost transfer (all confirmed package costs have been included in the forecast);
- The financial position on Disability Services Accommodation Service DSAS (£0.7m overspend) detailed below, may be further impacted by the uplift in agency costs from 2022/23 which is currently being evaluated; and
- There is significant work underway to fully programme manage the delivery of the proposed saving programme ahead of 2024/25.

Long Term Care

- The forecast position at P2 is an overspend of £10.217m on long term care.
- The £10.217m pressure is broken down as £3.031m on learning disabilities, (increased placements in supported accommodation), £2.860m on >65s residential and nursing provision, (increased placement numbers), £2.108m on Mental Health services, £1.484m on >65s homecare provision and £0.754m on the in-house supported accommodation provision.
- The investment funding is available to support the payment to providers of the real living wage (RLW). This includes the requirement through the market sustainability plan to 'move towards' a fair cost of care.

Infrastructure and Back Office

- The forecast outturn position at P2 is an underspend of £4.713m.
- The underspend on social work teams is (£0.763m) comprising £345k on the hospital teams, £85k on INT teams and £333k on specialist learning disability teams. The underspend confirms the challenges in recruiting and retaining qualified social workers, however, we are now seeing positive improvements with 57% of recently advertised roles currently going through pre-employment checks.
- Management and support have a forecast underspend of £4.070m. This includes £3m of staffing investment fund which will be allocated into services following recruitment, a £2m care support reserve and a £1.5m contingency to mitigate the demand management saving.
- As at Period 2 the following assumptions are incorporated into the forecast:

- £2m from reserves to support the care market, £1.5m of funding held as a contingency to mitigate the demand management savings.
- Staffing underspends of £0.570m across the Control Room, Admin and Support Services

Public Health - £270k underspend

Public Health	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Public Health Core Staffing	3,489	2,894	(595)
Public Health - Children's Services	4,375	4,375	0
Early years - Health Visitors	11,164	11,164	0
Drugs and Alcohol	9,314	9,404	90
Sexual Health	9,021	9,021	0
Wellbeing	5,847	6,083	236
Other	200	198	2
Contribution to Reserves	0	0	0
Total Public Health	**43,409**	**43,139**	**(270)**

Public Health - Financial Headlines

- Public Health have a £270k forecast underspend at year end. This coming year will present a number of challenges and opportunities for Public Health as the service look to develop and embed the Making Manchester Fairer programme and exit the intensity of the Covid-19 pressure. The MMF programme (included in the Wellbeing section above) has a budget of £2.989m for 2023/24 (non-recurrent) and commitments of £2.1m already in progress. At this stage in the year, the service will be looking to maximise the full £2.989m and further updates on this will be provided to the MMF Board throughout the year.
- A review of all Public Health budgets has been undertaken as they move away from the heavy burden of Covid-19 work and move back into the preventative health arena. More detail will be provided in future reports to support this work, as will confirmation of the Agenda for Change funding referred to below. Savings of £0.730m are expected to be achieved in full.
- There are underspends across the staffing budgets of £0.595m due to vacant posts and the maximisation of external funding, and underspends on other indirect staffing costs. The specialist nature of roles results in an extended timeline for any recruitment. The forecast allows for posts to be filled from September. The forecast reflects the move of the EDI Team into Public Health.
- Negotiations with Health partners regarding 'Agenda for Change' health staff pay uplifts is continuing. The wider national negotiations confirm central government funding into ICBs to cover Agenda for Change increases. The forecast position assumes all increases will be funded in full.
- Sexual health contracts are assumed balanced until the first quarter activity information is received. Nationally and locally demand for these services is increasing and this will be closely monitored in the coming months.
- The Wellbeing contracts have a £200k pressure on the MCR Active programme. This is covered by the staffing underspend at this stage in the year. £0.869m of the Wellbeing service budget will now be delivered through Neighbourhoods directorate and the budget transferred.

Neighbourhoods - £0.668m forecast overspend

Neighbourhoods	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Compliance and Community Safety	11,452	10,952	(500)
Libraries, Galleries and Culture	9,955	9,642	(313)
Neighbourhood Area Teams	5,823	5,823	0
Neighbourhood Management & Support	1,285	1,304	19

Operations and Commissioning	47,540	48,204	664
Other Neighbourhood Services	146	146	0
Parks, Leisure, Events and Youth	9,197	9,995	798
Subtotal	**85,398**	**86,066**	**668**
Highways	20,581	20,581	0
Operational Property	0	0	0
Total Neighbourhoods	**105,979**	**106,647**	**668**

Neighbourhoods - Financial Headlines

Neighbourhood Services – are currently forecasting a £0.668m overspend, this is mainly due to ongoing pressures in markets due to the reduced income from Christmas markets, increased costs in Parks, Leisure and Youth due to loss of income whilst refurbishment is undertaken and increased costs because of step in arrangements at two centres. The pressures are partially offset by staffing underspends in Libraries, compliance and community safety and higher than forecast income in advertising and bereavements. Further details are set out below for each service area.

- **Compliance and Community Safety** - £0.5m underspend is mainly due to net forecasted staffing underspends. The service has recently completed a service redesign, all vacant posts have either been recruited to or are in the process of being recruited to. There are currently 15 vacant posts but due to time taken to obtain necessary police vetting requirements it is assumed that these will only be filled part year. **Libraries, Galleries and Culture** – £313k underspend to vacant posts, the service has 17 vacant posts at the end of May, the service are proactively recruiting on an ongoing basis but the current underspend reflects the turnover in posts, and the time taken to recruit, appoint and get people into posts.
- **Operations and Commissioning** - £0.664m overspend – largely due to income shortfalls for Markets, partly offset by underspends on Advertising and Other Business Units.
    - £1m shortfall in Christmas Markets due to the ongoing unavailability of Albert Square. The losses due to closure are time limited and it is anticipated that Albert Square may be available for Christmas 2024 markets, there will be opportunities for increased income generation once the enlarged space at Albert Square is reopened.
    - Advertising over achievement of income of £287k, due to an annual inflationary uplift that was higher than what was reflected in the budget and higher than forecast profit share income, this is based on the annual performance of each site. Other Business Units £168k underspend linked to higher than forecast income in bereavement Services.
    - Wholesale, Retail & City Centre Markets, £103k underachievement of income, the main pressures are, markets not achieving the forecast income because of ongoing lower footfalls post Covid, exacerbated by the ongoing cost of living crisis and economic uncertainty, Sunday Market Car Boot (£75k) and Church Street (£28k), at Church Street 4 of the 11 units are vacant.
    - Off St Parking – Whilst the service is forecasting a breakeven position, there are several inflationary pressures, these include £273k increased enforcement costs following the recent procurement exercise and £265k in relation to Piccadilly Gardens rents, waste collection charges and costs of business Rates. A submission has been made against the corporate inflation budget. The income for the first two months of the year is below the profiled budget, however, it is too early to assess if this will continue ongoing particularly in the early months of year so we are assuming breakeven on income and will retain this under review.
    - **Parks, Leisure, Events and Youth** - £0.798m overspend due to £0.540m Leisure overspend from income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss (both currently closed and undergoing major refurbishment), along with the additional costs of financial support to the operators of Broadway Leisure Centre. The loss of income at both the MAC and Abraham Moss it is expected to be time limited due to the closure of facilities whilst undergoing refurbishment and is forecast to recover once the facilities reopen in July 2023. Once reopened further work is required to understand the full effect of the pandemic and ongoing cost of living crisis on the usage of both centres to see if income is lower than forecast.

- Events £50k overspend due to costs of ensuring fan safety along the route of the MCFC parade that took place in June 2023. There is a £100k risk around commercial income and sponsorship for events against a budget of £0.5m, but this will continue to be monitored on an ongoing basis and work will continue to identify additional commercial opportunities to offset any shortfall in income.
- Youth Services is forecasted to overspend by £208k due to additional costs of support for Wythenshawe Active Lifestyle Centre where MCC have stepped in to provide additional support to maintain provision at the site.

- **Highways** Breakeven, whilst the service is recording a £0.845m underspend on staffing costs, this is being offset through the use of consultants.
- **Operational Housing** – although this is a net nil to Neighbourhoods mainstream budgets there is a pressure on the repairs and maintenance contract which is covered in the HRA report below.

Homelessness - forecast Breakeven

Homelessness	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Asylum	60	51	(9)
B&B's (Room only)	4,007	3,052	(955)
Dispersed & Leasing Accommodation	12,772	12,772	0
Externally Commissioned Services	8,071	8,071	0
Homelessness Prevention Staffing & Move On	3,654	4,161	507
In House Accommodation	2,758	3,215	457
Total	**31,322**	**31,322**	**0**

Homelessness - Financial Headlines

The forecast outturn is a breakeven position. Although there are potential pressures in Homelessness the number of families in B&B accommodation has reduced significantly, the reduction is a result of considerable work which has been undertaken to find alternative settled accommodation for those in B&B and to increase prevention, so that new presentations to the Council do not require Temporary Accommodation. This reduction contrasts with other LA's where Temporary Accommodation numbers are increasing to levels not seen previously. The decrease in numbers is attributable to the intensive assertive individualised approach, a new off-the-street accommodation offer and increased partnership working to address systematic barriers and gaps between services as people require additional mental health and drug and alcohol support to sustain accommodation.

Overview of main cost drivers in Homelessness:

B&B Room Only. An underspend of £0.955m is forecast. At the end of May 2023, the numbers supported in B&B were 44 families and 237 singles. It is anticipated that the reduction in families supported will continue on the current trajectory and that by the end of June 2023 the routine use of B&B's for families in Manchester will have ended which would be an amazing achievement for the City. If B&B numbers for families were to reduce to 10 per night on a permanent basis, then the budget would be sufficient to support 228 singles in future years.

Dispersed Accommodation and Leasing. Balanced budget. A key component of the reduction in B&B and Nightly Paid is the development of Leasing schemes over the next 5 years, funding secured from DLUHC and GMCA as detailed in the Budget Report. The Leasing schemes are an agreement between the Council and Private Providers to provide private rented properties as temporary accommodation for a period of 5 years, meaning the Council can offer a level of stability until they are rehoused permanently.

Homelessness Prevention Staffing and Move On, £0.507m overspend, a key focus of the service is to increase the prevention of homelessness. Managers in Housing Solutions are working through an intensive four-week case review period with Housing Solutions Officers to review all open homeless cases. The case reviews are an opportunity to maximise prevention opportunities by reviewing the current situation and put in place innovative and creative solutions. Officers are supported with good practice and direction on cases which can be closed through effective interventions. Case reviews to date have led to a reduction of open cases from 1,721 at the start of April to 1,377 at the end of May. Case review activity will continue at the end of the intensive four-week period with a shift towards new cases. The impact of the case reviews will be the ongoing reduction in referrals to temporary accommodation because of the early identification of opportunities to prevent homelessness. As the expenditure in B&B's reduces Homelessness would seek approval to vire budgets from B&B to Prevention to mainstream this approach into the service. The change to the allocations policy enabling people to retain their Band 2 status on Manchester Move if they accept a PRS offer or if they are homeless at home. There has been a change in approach by the Private Rented Sector team to move people on quickly to the right accommodation direct from their presenting accommodation or a B&B setting, thereby avoiding the need to use temporary accommodation. There has also been a focus placed on prevention which has resulted in less people needing emergency accommodation.

<u>In House Accommodation</u>, a forecast overspend of £457k due to the proposed continuation of Etrop Grange in 2023/24. Etrop Grange was opened at the beginning of October 2022, initially to increase the availability of accommodation during the winter period. It provides 64 single unit rooms to people who are sleeping rough on the streets. Referrals are made via outreach services for people who are confirmed and verified as sleeping on the streets. Since opening Etrop Grange has taken 418 bookings. To date, 184 people have had positive move-ons into supported accommodation, longer term settled accommodation or reconnected with friends and family. Due to the success of Etrop, officers are looking to continue the accommodation until March 2024, providing an off the street offer over the winter period. Both DLUHC and GMCA are supportive of the off the street offer at Etrop and are working with MCC to identify a longer-term offer, DLUHC have funded £337k in year on the basis that this offer will continue. This provision is a key driver in the reduction in rough sleeper numbers in the City, while Manchester's number of rough sleepers are decreasing many other areas are facing an increase.

<u>Resettlement Funding</u>. Currently, there are 3 main cohorts who are being provided with support in the city. These are, the Afghanistan Resettlement Service, provided by the Council on behalf of the Home Office. The Ukraine Support Service, provided by the Council on behalf of the Department for Levelling Up, Homes and Communities (DLUHC). The Asylum Service, consisting of both contingency hotel and dispersed property accommodation, provided by Serco on behalf of the Home Office. Work is ongoing with the Home Office and DLUHC to understand the impact of recent government announcements to end the use of Bridging Hotels in cities such as Manchester and to move both Afghan and Ukrainian families into longer term accommodation with support. Funding available will be driven by the numbers who remain in Manchester, work is ongoing with families to assess what is affordable to them both in the short and long term.

Homelessness Additional Grant Funding

In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250 million for a second round of funding (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes (ARAP/ACRS) currently in bridging accommodation and the rest used to ease wider homelessness pressures. Indicative funding of £1.120m has been allocated to Manchester as part of the Local Authority Housing Fund (Round 2) to purchase an additional 10 properties, this would require capital match funding of £1.380m.

In June 2023 an allocation of the £150 million funding for 2023/24 to support Ukrainians into sustainable accommodation was announced, Manchester's allocation of this funding is £0.969m. This is classed as Homelessness Prevention Grant top up grant. As a top-up to the existing Homelessness Prevention Grant, this grant is ringfenced for homelessness to target those most in need and to ensure local authorities are resourced to take action to prevent homelessness and continue to implement the Homelessness Reduction Act 2017. The purpose of this specific top up is for you to maximise supporting the Ukrainian cohort into sustainable accommodation, for example through access to the private rental sector, employment support, facilitating ongoing sponsorship into guests' second year and other upstream support, in line with the flexibility that the HPG conditions afford.

Housing delivery and Housing Revenue Account (HRA)

Housing Revenue Account (HRA)	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Housing Rents	(67,556)	(67,556)	0
Heating Income	(1,736)	(1,736)	0
PFI (Private Finance Initiative) Credit	(23,374)	(23,374)	0
Other Income	(1,974)	(2,520)	(546)
Funding from General/MRR Reserves	(22,808)	(22,808)	0
Total Income	**(117,448)**	**(117,994)**	**(546)**
Operational Housing R&M & Management Costs	31,620	35,517	3,897
PFI Contractor Payments	34,212	34,434	222
Communal Heating	2,889	2,889	0
Supervision and Management	8,866	8,866	0
Contribution to Bad Debts	679	679	0
Depreciation /RCCO - to fund capital expenditure	35,500	41,002	5,502
Other Expenditure	980	980	0
Interest Payable and similar charges	2,702	2,702	0
Total Expenditure	**117,448**	**126,969**	**9,521**
Total HRA	**0**	**8,975**	**8,975**

Housing Revenue Account (HRA)	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Revised Forecast Closing Balance
	67,927	**(22,808)**	**45,119**	**(8,975)**	**36,144**

Housing Revenue Account - Financial Headlines

The approved 2023/24 HRA budget is a gross c.£117m and this includes forecast capital investment of c£59.5m, The HRA is forecasting an overall overspend of £8.975m, and this is made up of increased a combination of higher than forecast costs for both repairs and maintenance and management costs, increased PFI costs due to higher than forecast inflation and increased capital funding in respect of the agreed additional capital investment. The overspends are offset by c£0.546m underspends in respect of higher interest receipts due to increased interest rates. A summary of the key variances is set out below: -

The overall overspend of £8.975m is made up of:

Overspends of £9.521m:

- The management and maintenance costs have an overspend of £3.897m. This is due to c£2.179m repairs and maintenance costs, including projected overspends on the day-to-day repairs of c£1.663m this is partly because of surplus carry costs and discussions are underway around resolving this issue in order to reduce costs going forward, and additional works and contract inflation being higher than budget. There are other overspends on non-day to day repairs costs currently forecast to be around £0.516m above budget. There is also a c£1.382m overspend in management costs and £336k relating to Intensive Housing Charges which is an addition to the HRA budget.
- Increased PFI contractor payments £222k – This predominately relates to the budget indexation in the HRA business plan being lower than the actual inflationary indexation applied to the PFI contracts because of ongoing higher inflation.
- Capital investment plans for 2023/24 are currently c£59, this is an increase of c£10m from the original approved budget, and this is largely due to combination of additional capital investment particularly around additional carbon works, and slippage of schemes from 2022/23. Whilst there has been additional grant funding there has also been a call on HRA resources as part of financing the additional investment and the increased resource is £5.502m.

Partly offset by Underspends of £0.546m:

- Other Income is anticipated to be £0.546m higher than budget because of the interest received on balances, due to the increase in the interest rates which is projected to continue for the year.

Growth and Development – £151k Forecast Underspend

Growth & Development	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Investment Estate	(13,801)	(13,801)	0
MCDA (Manchester Creative Digital Assets)	0	56	56
Growth & Development	160	160	0
City Centre Regeneration	1,454	1,247	(207)
Housing & Major Regeneration	1,329	1,329	0
Planning, Building Control & Licensing	(632)	(632)	0
Work & Skills	1,932	1,932	0
Manchester Adult Education Service (MAES)	0	0	0
Our Town Hall Project	0	0	0
Total Growth & Development	**(9,558)**	**(9,709)**	**(151)**

Growth and Development – Financial Headlines

Growth and Development – Underspend of £151k

- **Investment Estate – Balanced budget –** Whilst the investment estate is currently forecasting a balanced budget, there are several pressures across the estate, they include Arndale Centre (£382k) due to reduced income because of business rates liability on vacant units, former Barclays Computer centre in Wythenshawe (£153k) due to vacant units. In addition to the reduced income, there are also additional costs of £263k in respect of valuation works required to support the annual accounts asset valuations. These are offset by higher than forecast income on several other sites, including Roundthorn and Sharston industrial estates (£310k), general let land (£318k) and other smaller variations (£170k) across the estate. Work is ongoing to review all assets to ensure that rent reviews are reflected as part of the future budget projections.
- **MCDA (Manchester Creative Digital Assets) – £56k overspend –** Work is ongoing to evaluate options around disposing of Space studios and it is likely that the disposal will take place later this year. The overall forecast for MCDA is £56k overspend, and this is mainly due to lower than forecast income at Arbeta due to vacant space, agents have been engaged to market this space to increase the overall income.
- **City Centre Regeneration - £207k underspend** - As part of the 2023/24 budget process, growth of £300k was approved to support establishing the new infrastructure delivery team, the recruitment to the team has been delayed and the £207k relates to savings against this specific budget because of only part year appointments.

Corporate Core - £0.5m forecast overspend

Chief Executives	Annual Budget	Projected Outturn	Variance from Budget
	£000	£000	£000
Coroners and Registrars	2,352	2,252	(100)
Elections	1,272	1,872	600
Legal Services	10,259	10,509	250
Communications	3,407	3,407	0
Executive	951	951	0
Sub Total	**18,241**	**18,991**	**750**
City Policy, Performance and Reform & Innovation	15,095	15,145	50
Corporate Items	1,215	1,215	0
Chief Executives Total	**34,551**	**35,3515**	**800**

Corporate Services	Annual Budget	Projected Outturn	Variance from Budget
Finance, Procurement, Commercial Gov.	8,104	7,979	(125)
Customer Services and Transactions	15,103	15,103	0
ICT (Information & Communication Technology)	16,125	16,125	0
Human Resources & OD (Organisational Development)	4,751	4,751	0
Audit, Risk and Resilience	1,698	1,523	(175)

Capital Progs, Operational Property, Facilities Management	22,017	22,017	0
Corporate Services Total	**67,798**	**67,498**	**(300)**
Total Corporate Core	**102,349**	**102,849**	**500**

Corporate Core - Financial Headlines

Corporate Core is projected to be £0.5m overspent and the key variances relate to: -

- Coroners and Registrars £100k underspend due to the projected overachievement of income of £247k, mainly in relation to increased numbers of weddings and citizenship ceremonies, reduced by £147k staffing pressures within Coroners.
- Elections £0.6m overspend due to additional costs to meet the requirements of the 2022 Election Act in relation to voter ID and accessibility
- Legal Services £250k overspend, mainly due to reduced external income due to a reduced level of service provision to Salford Council and externalising Children's services legal work which is partly reduced by £0.5m underspend on employee budgets as the service has faced challenges recruiting to vacancies. It also includes £1m overspend in relation to children's services legal costs which has been funded by a transfer from reserves in 2023/24 as approved by Executive on the 22 July 2022. The service has commenced its plan around a recruitment drive to reduce external costs and fill vacancies to mitigate this going forward.
- City Policy, Performance and Reform & Innovation £50k overspend - there is reduced income on project activity £116k as there has been a loss of European funding and access to other funding does not cover staffing costs at 100% and an overspend on running costs of £88k mainly due to licenses. This is offset by employee underspends of £154k due to vacancies.
- Finance, Procurement and Commercial Governance £125k underspend due to underspend on employee budgets.
- Audit, Risk and Resilience £175k underspend due to £50k underspend on employee budgets and £125k on the workplace adjustment hub. The plan for the workplace adjustment hub has been approved and recruitment has commenced, the underspend is a result of the timing of the recruitment
- Capital Programmes, Operational Property and Facilities Management is breakeven. There is £234k underspend on employee budgets offset by pressures on Lloyd Street toilets in Facilities Management.

Directorate Savings Achievement - £25.2m

The savings target is made up of:

- Savings agreed for 2023/24 as part of prior year's budget setting £9.781m
- Savings agreed for 2023/24 as part of the 2023/24 Budget setting process total £15.396m

	Agreed in Prior years	2023/24 Budget Setting	Total 2023/24 Savings	Green - (Achieved & Mitigated)	Amber	Red
	£000	£000	£000	£000	£000	£000
Adult Social Care	8,977	4,142	**13,119**	7,469	150	5,500
Children's Services	100	4,411	**4,511**	1,464	287	2,760
Corporate Core	304	3,365	**3,669**	3,669	0	0
Growth and Development	300	959	**1,259**	1,259	0	0
Homelessness	0	1,244	**1,244**	0	1,244	0
Public Health	0	730	**730**	730	0	0
Neighbourhoods	100	545	**645**	558	87	0
Total Budget Savings	**9,781**	**15,396**	**25,177**	**15,149**	**1,768**	**8,260**

Savings – Financial Headlines (£25.177m)

- £8.260m of this is considered high risk on non-achievement. This relates to:
  - Children's £2.760m from reducing demand in Looked After Children services. There is considerable pressure on External Placement costs as set out earlier in this report.
  - Adults - 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £8.977m to be delivered in 2023/24. £3.477m is achieved through prevent, reduce and delay approaches. The balance of

£5.500m is to be delivered through specific additional demand management interventions which are currently assessed as high risk

- £1.768m are considered Medium Risk of non-achievement as follows:
  - Children's Mockingbird and partial Managing Demand £287k - The Mockingbird programme is an innovative method of delivering foster care using an extended family model which provides sleepovers, peer support, regular joint planning and training, and social activities. The Directorate is implementing the new model and it is expected the new approach will provide saving mid-year. Through placement stability and step-down planning part of the Managing Demand saving has been achieved.
  - Adults and Social Care £150k - a review of how clients who attend day services travel to the centres is underway, with alternatives being modelled. The review will not conclude until later in the year. There will be consideration of the eligibility criteria, charges and travel training opportunities
  - Neighbourhoods - £87k due to delays in implementation of changes to parking charges at Heaton Park, the changes require a Traffic Regulation order and therefore approved savings are likely to be part year only in 2023/24, These will be mitigated across Neighbourhoods.
  - Homelessness - £1.244m, the savings target for Homelessness was set when the service faced an underlying overspend of c£10m at year end 2022/23. Whilst all endeavours will be made to deliver a balanced budget there are significant risks around the Homelessness budgets with the Cost-of-Living Crisis and the pressures faced in the Housing Market in Manchester. There is also considerable uncertainty around the Resettlement funding schemes and conversations are ongoing with the Home Office and DLUHC to understand the financial position in Manchester relating to these three schemes, Afghan Resettlement, Homes for Ukraine and Asylum Dispersal.

Manchester City Council
Report for Information

Report to: The Executive – 26 July 2023

Subject: The Regeneration of Collyhurst - Update

Report of: Strategic Director (Growth and Development)

Summary

The regeneration of the Collyhurst estate has been a long-standing objective of the City Council and this is now being taken forward as part of the wider Victoria North initiative, which is being driven through a Joint Venture (JV) partnership between the City Council and Far East Consortium (FEC).

This report provides an update on activity undertaken since the previous report to Executive in March 2023 and sets out proposals and recommendations for approval in relation to a strategy to secure an Affordable Housing Delivery Partner, who will play a critical role in ensuring that any redevelopment plans brought forward for consideration contain the right mix of housing tenures to meet the needs of existing and future residents.

Recommendations

The Executive is recommended to-

(1) Consider and comment on the information set out in this report, particularly in regard to the ongoing work to develop a delivery strategy for future phases of development in Collyhurst.

(2) Delegate authority to the Strategic Director, Growth and Development and Deputy Chief Executive & City Treasurer in consultation with the Leader and the Executive Member for Housing and Development to approve the undertaking and finalisation of a formal, competitive procurement process to identify an Affordable Housing Delivery Partner to support the Collyhurst Regeneration Programme.

(3) Note that any such process will be subject to consultation with Local Ward Members in advance of implementation.

Wards Affected: Harpurhey, Miles Platting & Newton Heath

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
This report provides an update on the delivery of regeneration in Collyhurst where new housing development at scale is proposed. The design of new homes will build on the

low-carbon principles of the Northern Gateway SRF (now known as Victoria North), which recognises that future development within the area will need to respond to the Councils zero-carbon target achieved through the active utilisation and deployment of leading building technologies.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
An inclusive, accessible, and diverse engagement process has been developed to inform the Master Planning process for future development. The future development of the neighbourhood is capable of providing significant new residential space and associated commercial space and community infrastructure, creating jobs and opportunities open for all residents. As set out in the SRF, the site would be made highly permeable, connecting neighbouring streets and communities with high quality and fully accessible open spaces and public realm. Any future phases of development proposals would be considered through future planning applications with full public consultations. It is considered at this stage that the proposals do not impact any protected or disadvantaged groups.

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 Victoria North initiative will expand the City Centre in a northern direction establishing sustainable mixed-use neighbourhoods including new jobs and employment opportunities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The Victoria North initiative will provide direct employment opportunities and also meet the demand for housing from residents who wish to live close to the skilled employment opportunities located in and around the Regional Centre.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Development of Victoria North offers the potential to deliver on the objectives of the Manchester Residential Growth Strategy and meet the growing demand for high quality new housing in the city in all forms of tenure.
A liveable and low carbon city: a destination of choice to live, visit, work	Victoria North development opportunities will support the delivery of new residential developments using state of the art technologies and low carbon construction methods.
A connected city: world class infrastructure and connectivity to drive growth	The delivery of new neighbourhoods within Victoria North will include traffic and transport planning, ensuring that various modes of transport (car, bus, rail, Metrolink, cycle, and walk) are provided for.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None directly through this report.

Financial Consequences – Capital

None directly through this report.

Contact Officers:

Name: Rebecca Heron
Position: Strategic Director Growth & Development
Telephone: 0161 234 5515
E-mail: rebecca.heron@manchester.gov.uk

Name: Ian Slater
Position: Assistant Director - Major Regeneration, Growth & Development Directorate
Telephone: 0161 234 4582
E-mail: ian.slater@manchester.gov.uk

Name: Rebecca Maddison
Position: Head of Commercial and Strategic Development (Legal) for the City Solicitor
Telephone: 0161 234 4976
E-mail: rebecca.maddison@manchester.gov.uk

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.

Council Reports

- The Regeneration of Collyhurst – Update: Report to Executive 22 March 2023
- Victoria North – The Proposed City of Manchester (Thornton Street North Collyhurst Village) Compulsory Purchase Order 2022: Report to Executive 16 March 2022
- Northern Gateway: Progress Update & Delivery Arrangements for Collyhurst Phase 1: Report to Executive 17th February 2021

- Northern Gateway Progress Update Housing Infrastructure Fund: Report to Executive 29 July 2020
- Northern Gateway Strategic Business Plan and First Phase Development Area: Report to Executive 12 February 2020
- Delivering Manchester's Affordable Homes to 2025: Report to Executive, 11 September 2019
- Northern Gateway: Implementation and Delivery, Report to Executive, 13 February 2019

1.0 Introduction

1.1 The regeneration and transformation of the Collyhurst estate has been a long-standing priority for the City Council, with the intention being to expand and improve the housing offer, increase the permeability and connectivity of the estate and ensure that the neighbourhood and its residents are able to benefit from the ongoing economic growth that is being experienced by the City and the region.

1.2 Executive Members will recall that the estate was the subject of a £252m Private Finance Initiative (PFI) proposal that was terminated by the coalition government in 2010. This PFI proposal, which had been the subject of extensive public consultation, would have seen the comprehensive redevelopment of the entire estate, leading to a significantly increased population at sufficient density to sustain local retail and other local services/infrastructure.

1.3 Following Government's termination of the proposed PFI, the City Council has been seeking to identify an alternative means of delivering the scale of transformative change required. To this end, Collyhurst was included in the Victoria North initiative (originally known as the Northern Gateway) entered into in 2017. Development-led regeneration was identified as the most appropriate means of exploiting vacant land already available and establishing proposals of sufficient scale that would effectively tackle the issues of the poorly laid out, low density estate, creating a new and expanded housing market and residential offer to better meet the needs of existing and future residents

2.0 Background

2.1 The City Council entered into a Joint Venture (JV) partnership with Far East Consortium (FEC) in April 2017 to drive forward the delivery of the Victoria North initiative, which is focussed on the residential led regeneration of a 155-hectare area at the northern edge of Manchester city centre. It is intended that more than 15,000 new homes are delivered as a result of the initiative over a fifteen to twenty - year period.

2.2 In February 2019 the Executive approved a Strategic Regeneration Framework (SRF) to help co-ordinate development activity in the Victoria North area. As stated above, a key component of the initiative is the comprehensive regeneration of the Collyhurst housing estate. The SRF and illustrative masterplan set out high-level design principles for the neighbourhoods that make up the Collyhurst estate. The intention was that more detailed development proposals would be brought forward in a phased basis following community consultation exercises.

3.0 Collyhurst Phase 1 - Progress Update

3.1 In February 2021, the Executive approved the overall detail of the first phase of development in Collyhurst, namely:

- The construction of 244 new homes in Collyhurst Village - of which 100 homes would be new City Council social rent properties with the balance being for open market sale - together with the demolition of 29 existing properties (including 22 existing MCC tenanted properties and 7 properties in private ownership); the provision of new public realm; and the delivery of Phase 1 of a new Community Park; and,

- The construction of 30 new City Council social rent homes in South Collyhurst.

3.2 Through delegated approval the terms of delivery were finalised via the Joint Venture partnership with Far East Consortium and all necessary legal agreements were completed in October 2022.

3.3 FEC are delivering the Scheme as developer with DEX Construction Group (FEC's in-house Contracting Team) undertaking the construction. The new Council homes will be built by FEC on land in the City Council's ownership with the open market sale homes built on land that has been transferred to FEC.

3.4 Construction is underway, the programme anticipates that the development of new homes will be completed by April 2026 with the first 10 new Council homes completed in 2024/25, and the remainder completed in 2025/26. (Photographs at Appendix 2 show work underway)

3.5 As agreed previously at Executive, residents whose homes will be demolished as part of the phase 1 scheme are being supported to move into the new development. Work is underway with the tenants affected, to allocate them specific homes in the new development, clarify timescales for their moves and commence discussions about practicalities.

3.6 As set out to Executive in March 2023, to deliver the phase 1 scheme the Council have progressed a Compulsory Purchase Order to acquire the privately owned property interests. Communication is still awaited from the National Planning Casework Unit following submission of the Order in March this year. Meanwhile, negotiations continue with the property owners affected to purchase their interests by agreement and Officers will liaise closely with those affected to ensure that they are supported and as informed as possible.

4.0 Establishment of a Local Lettings Strategy to Support the Regeneration Programme

4.1 The Executive, at it's meeting in February 2021 delegated authority to the Director of Housing & Residential Growth, in consultation with the Executive Member for Housing and Regeneration to establish a local lettings policy in relation to the new homes to be delivered by the Phase 1 scheme, which would also support the rehousing of tenants affected by the scheme and honour previous “right to return” commitments made to former Collyhurst tenants rehoused outside of the area as a result of the demolition of maisonettes in South Collyhurst some time ago.

4.2 A Further commitment was made to rehouse the residents affected by Phase 1 demolitions into the Phase 1 new build homes through a single move. Work continues with those residents in preparation for when the new properties are complete. Further work will be undertaken to finalise the approach for engagement with the former maisonette residents that moved outside of Collyhurst to identify any that wish to return and process any rehousing applications that arise.

4.3 To note, a report elsewhere on this agenda, proposes a city-wide New Build Local Lettings Policy. The Policy seeks to ensure a balanced approach to rehousing into new build schemes to ensure that new build developments have a mix of residents to help to make them sustainable in the longer term.

4.4 The city-wide New Build Local Lettings Policy also identifies that:

“where new build schemes are being delivered as part of a larger regeneration initiative, additional priority will be given to local residents within the regeneration boundary to facilitate the ongoing regeneration. The detail will be set out on a scheme-by-scheme basis but might include additional priority for existing residents within the regeneration boundary who wish to rightsize into an apartment in order to make better use of Council stock.

Where regeneration schemes involve demolition those affected residents would be given priority to move into new homes and stay in the area and such moves would be accommodated outside of the allocations scheme.”

4.5 It is established practice that such moves are dealt with on a scheme-by-scheme basis, outside of the Allocations Policy and through “Council Interest Moves”.

4.6 The report to March 2023 Executive was clear that where future development proposals in Collyhurst require demolition, they will take account of the needs of existing residents and provide opportunities for all those who wish to stay in Collyhurst and benefit from the regeneration to do so. Where demolitions are required, replacement social rent homes will be provided at a ratio that enables existing Council tenants to remain in Collyhurst in a home suitable to their housing needs and on the basis that they remain a social rent tenant.

4.7 The Master Planning process, in consultation with the community, will define the housing typologies that need to be delivered in Collyhurst in order to achieve development of appropriate density that will create a vibrant and economically sustainable neighbourhood. Further detail will be brought back to Executive, as clarity is gained on future phases of activity in Collyhurst, the approach to reprovision of homes and their typology, and their allocation in accordance with the New Build Local Lettings Policy.

5.0 Future Phases of Development – Community Focused Masterplanning

5.1 The March 2023 Executive Report advised that a masterplan team had been selected to prepare a detailed masterplan for the Collyhurst Village and South Collyhurst neighbourhoods. A plan showing the boundary of these neighbourhoods is attached as Appendix 1. The masterplan will be focused on residential led redevelopment but will also ensure that appropriate social and community infrastructure (e.g. public realm and amenity space, health and education provision, connectivity to public transport etc) are provided to create neighbourhoods that are sustainable and will meet the long term needs of a growing population.

5.2 Since the last update, the team have been undertaking baseline technical surveys to inform masterplan development and a community engagement strategy has been developed in liaison with local ward members.

5.3 The engagement strategy is split into four key periods:

- Discover – initial engagement focussed on listening to the community and stakeholders;
- Develop – development of masterplan proposals through community focused masterplanning;
- Define – defining the preferred masterplan prior to planning submission; and
- Deliver – delivering the masterplan.

5.4 The initial "discover" stage of engagement commenced this month, with the team holding various one-to-one listening sessions with members of the community and key stakeholders to understand hopes for the masterplan, along with any concerns, to outline the programme of work, and to discuss how those who want to be involved can continue to actively participate in the ongoing masterplan process.

5.5 Meaningful engagement is a fundamental principle of the development of the masterplan, as this helps to strengthen the connection of the existing community to the masterplan proposals. This is particularly important for existing communities in areas undergoing huge change, such as Collyhurst.

6.0 Restatement of Underlying Principles to Guide Future Phases

6.1 As part of the Masterplan development, a phasing strategy will be developed to inform and enable more detailed engagement with residents in the future around commitments that can be made. These will ultimately be agreed between the Affordable Housing delivery partner but can be explored in advance through masterplan option testing.

6.2 The underlying principles to be explored have been referenced previously, and include:

- **Meaningful and Extensive Community engagement** – the existing Community should be at the heart of developing proposals for their neighbourhood that will be of benefit to them and of future residents.
- **Retention of the existing Community** – development proposals to take account of the needs of existing residents and provide opportunities for all those who wish to stay in Collyhurst and benefit from the regeneration to do so.
- **A clear Phasing and Single Move Strategy** - to provide clarity on when development will take place and wherever possible, if existing residents do need to move home to facilitate development, that this is done through a single move to a suitable home within Collyhurst.
- **Reprovision** – Social rented homes to be re-provided at a ratio that enables existing Council tenants to remain in Collyhurst in a home suitable to their housing needs and as social rent tenants.
- **Relocation Assistance** – Appropriate mechanisms are put in place in line with the City Council's Home Improvement and Relocation Assistance Policy to ensure that any owner occupiers affected by future development activity are able to relocate to appropriate and suitable homes.
- **Growth in the level of Affordable Housing** - to meet the objective of increasing supply of Affordable Housing as set out in the Housing Strategy, that in addition to the reprovision of existing Council homes, a range of additional Affordable Housing products are delivered through any new development that comes forward. The ambition is that up to 20% of the additional homes provided (above any necessary re-provision) will be affordable, subject to viability.
- **Delivery of Sustainable Neighbourhoods** – a mix of homes (type and size) and tenures is essential to provide housing choice for future generations and necessary to sustain local services, shops, schools, community facilities etc.

7.0 The Need for an Affordable Housing Delivery Partner

7.1 The Strategic Regeneration Framework for the Victoria North area, which was approved by the Council's Executive in 2019, re-articulated the Council's long-standing ambitions for the transformation of the Collyhurst estate.

7.2 The community focused master planning process that is just commencing will seek to establish detailed proposals that will guide redevelopment activity on a phased basis.

7.3 These detailed proposals will be informed by community engagement and will ultimately be the subject of community and elected member consultation, but they will inevitably include proposals for demolition and replacement, where required of existing Council tenanted homes and properties acquired through Right to Buy.

7.4 The redevelopment programme will provide the means for a significant increase in the overall number of homes within the Collyhurst estate. The intention is that an appropriate level of new affordable homes, above and beyond the levels of any replacement of existing council homes, will be delivered as a result, leading to a net increase in the amount of affordable housing.

7.5 The delivery of affordable housing in an appropriate mix of tenures at the scale envisaged will require involvement of an Affordable Housing Delivery Partner which could come in the form of a Registered Provider, an Affordable Housing Investment Partner, or a combination of the two.

7.6 It should also be noted that the costs associated with the replacement of any existing Council housing or the acquisition of properties purchased through Right to Buy in areas identified for demolition, plus anticipated infrastructure costs and additional known ground abnormalities (for example, there are a number of historic underground mine workings dotted around the estate) create a challenging context in terms of the funding of this scale of ambition.

7.7 Based on the lack of investment head room within the Housing Revenue Account (HRA), Manchester City Council is potentially limited in the direct role it can take in the delivery of the replacement of council homes within Collyhurst, hence the likely requirement for an Affordable Housing Delivery Partner. The options for delivery, including any implication for the HRA will be subject to a robust option appraisal and impact assessment as we progress through the Masterplanning process.

7.8 Previous Executive Papers have established recommendations in relation to proceeding with the identification of a single Affordable Housing Delivery Partner for the project – who would play a full strategic role in the delivery of the Regeneration Programme envisaged.

7.9 To inform this process, a soft - market testing exercise has been undertaken (during March and April 2023) with Registered Providers who have a proven regeneration track record, are active in the North West, and who were at the time on the Homes England Strategic Partner panel (through which they have access to national Affordable Housing Programme funding at scale).

7.10 The soft market testing undertaken was a useful exercise. It has demonstrated that there is significant interest in the Registered Provider sector to be involved in the Collyhurst Regeneration initiative. Feedback has also corroborated officers' views that the identification of a single Affordable Housing Delivery Partner is the most appropriate way forward to deliver new affordable housing and work alongside MCC and FEC to ensure the delivery of any replacement homes required. All parties noted the importance of a strategic and long-term mandate to justify and leverage the scale of investment and involvement likely to be needed.

8.0 Finalising and Implementing a Strategy to Identify an Affordable Housing Delivery Partner

8.1 Based on the work undertaken to date, and through market engagement undertaken, it is proposed to commence an MCC/FEC competitive process to identify an appropriate Affordable Housing Delivery Partner. Following the process it is envisaged that the partner could have contractual responsibilities which may include:

- Supporting the development of a 'Residents Charter' for Collyhurst – including detailed finalisation and agreement of matters noted previously in this paper under "Underlying Principles to Guide Future Phases";
- Sector focussed input and commercial insight into the Masterplanning process to ensure viability and deliverability;
- Supporting the development and establishment of a regeneration implementation strategy, with a clearly set out Phasing Plan that will guide the actions of MCC, FEC and the Affordable Housing Delivery Partner over the lifetime of the regeneration programme.
- Supporting the management of the estate and tenants affected during the regeneration programme, given experience and skills developed on comparable schemes;
- Supporting the replacement of any existing council homes identified for demolition – assumed on a phase-by-phase basis
- Supporting the delivery of net additional affordable homes – i.e. to ensure the delivery of an overall increase of new affordable homes above and beyond any council properties that need to be replaced as a result of any required demolition.

8.2 Across these responsibilities it is likely the partner would need to have a contractual relationship with both MCC and FEC. As such it is proposed that a joint process is designed and implemented which enables the identification of a single partner, to be secured under necessary contractual relationships with the respective MCC and FEC organisations.

8.3 MCC and FEC are in the process of designing a proposed competitive process to identify an appropriate Affordable Housing Delivery Partner., Both parties are agreed in principle that based on potential scope of responsibilities a regulated procurement process will be required. This means that any process will be designed in line with UK Procurement Requirements and Regulations in accordance with the Public Contracts Regulations (2015).

8.4 It is critical that the Affordable Housing Delivery Partner is in place early enough for alignment with the Masterplan programme – ensuring that the Masterplan is finalised alongside a credible and deliverable strategy for implementation. This is considered particularly important given previous attempts to regenerate the neighbourhood, and to ensure there is delivery momentum following on from the new homes being constructed in the Phase 1 scheme currently on-site.

8.5 To achieve this outcome, it is considered likely that the partner identification process will have to launch during late Summer 2023, to conclude in Spring 2024.

8.6 Council officers are working with their counterparts in FEC and with respective advisors including legal advisors to determine:

- The most appropriate process to identify, evaluate and select a suitable Affordable Housing Delivery Partner
- The respective roles and responsibilities of MCC and FEC in the process; how any costs / potential liabilities are attributed and borne by either party;
- The contractual arrangements required to give effect to this process; and,
- The exact programme of activities required to secure the Affordable Housing Delivery Partner and the alignment / interface with the Master planning process referred to in a previous section of this Report.

8.7 A further report will be brought back to a future meeting of the Executive summarising the process undertaken, next steps and making any appropriate recommendations on the appointment of a partner based on submissions made and negotiations undertaken.

9.0 Major Change to the Affordable Housing Programme - Estate Regeneration

9.1 Executive Members may be aware that Homes England announced on 27 June that grant funding made available via the Government's Affordable Housing Programme (AHP) 2021 – 26 can be used to fund replacement homes, alongside new affordable homes, as part of wider estate regeneration proposals.

9.2 This is a welcome shift in Government policy and is something that the City Council has been lobbying for over a number of years. Previously, AHP funding has only been made available for "additional" homes, constraining proposed regeneration schemes such as Collyhurst.

9.3 Executive Members will recall from previous reports that the City Council has successfully attracted £6.89m of AHP funding to help deliver the Phase 1 scheme outlined above. This grant allocation was based on the number of additional homes being delivered by the scheme, with no funding being available to assist with the cost of replacement homes. Discussions have already commenced with Homes England colleagues to determine whether additional funding can be attracted to the Phase 1 scheme, and to start a dialogue to position any future phases of development within a new, long term approach to estate regeneration that this announcement may signal.

10.0 Demolition of Eastford Square

10.1 Situated outside of the Collyhurst Village/South Collyhurst boundary, the demolition of Eastford Square is a Council priority. Demolition of this last remaining Collyhurst maisonette block is being concluded, with the demolition making good progress and expected to be fully complete in August. (Photographs at Appendix 2 show work underway)

10.2 As part of the demolition, the sculpture that is currently situated in the Square will be retained and relocated into the grounds of the nearby Roach and Vauxhall Courts where it will be visible from Rochdale Road. This work has currently been delayed due to unexpectedly large foundations being discovered upon excavation commencing. Work is underway to identify an appropriate methodology for its relocation.

11.0 Contributing to the Manchester Strategy

11.1 Please see the front of the report.

12.0 Key Policies and Considerations

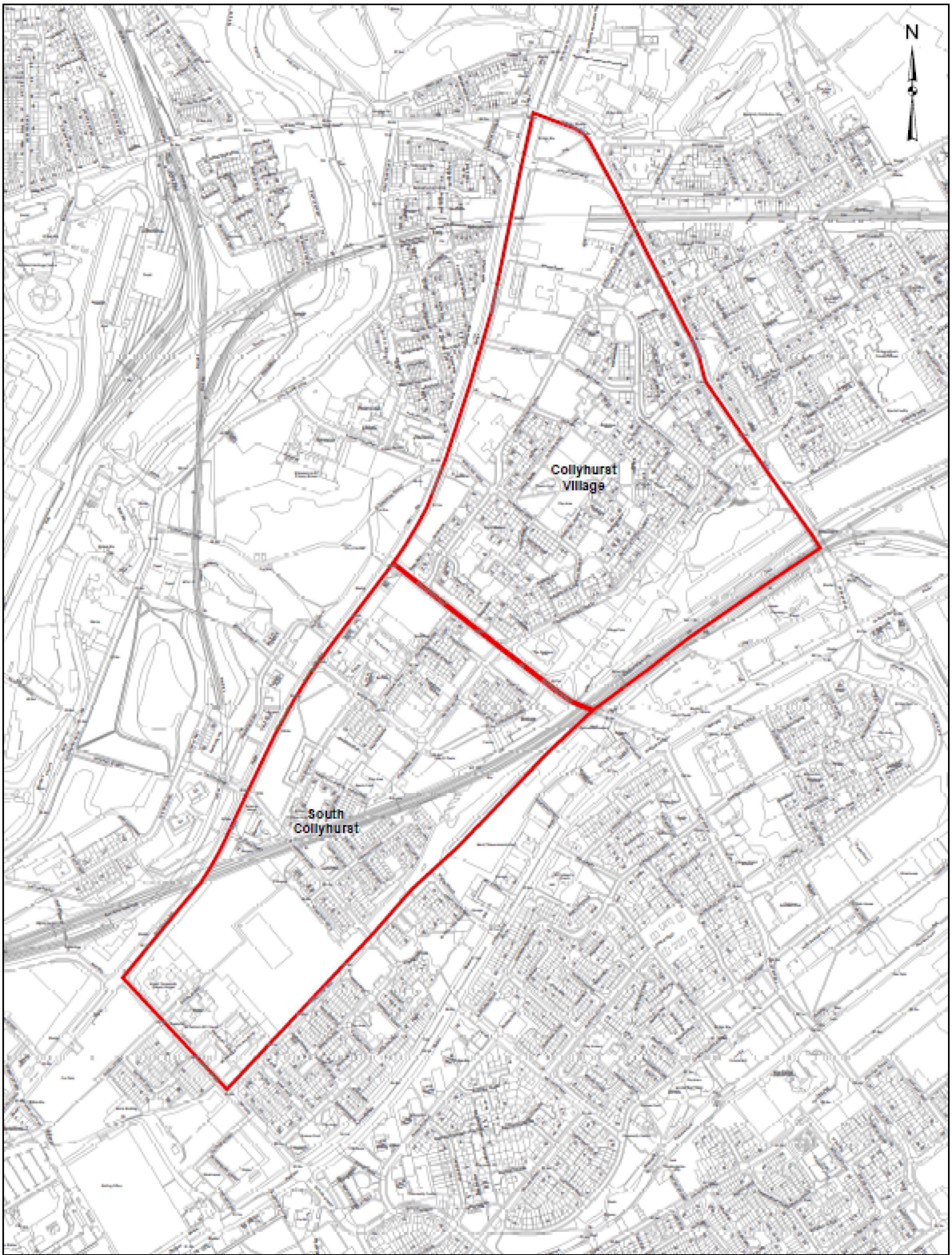
Equal Opportunities - As part of the vision set out in the Northern Gateway SRF, a key aim of the proposed Master Planning Process will be to formulate plans for an inclusive, connected and accessible neighbourhood that will support the creation of new homes, public realm, jobs, and improved access to opportunities for both existing and new residents within the local area and wider city. The Master Planning process will be the subject of local community engagement, giving residents and stakeholders opportunities to engage in the process.

Risk Management - The Victoria North programme will continue to be progressed in accordance with existing internal governance arrangements and within the legal framework of the Victoria North Joint Venture.

Legal Considerations – Legal considerations are set out in the body of the report. Legal Services work closely with the project team to provide legal advice on all aspects of the Victoria North Initiative. Legal Services will continue to support and advise the team on all aspects of this project to facilitate delivery and ensure compliance with all relevant legislation, regulations, and contractual terms.

This page is intentionally left blank

Appendix 1: Plan of Collyhurst Village & South Collyhurst Neighbourhoods



A2 Scale 1:3,500 PLAN FOR IDENTIFICATION PURPOSES ONLY	Development Team Growth & Development Directorate P.O. Box 532 Manchester M60 2LA	MANCHESTER CITY COUNCIL

Appendix 2 – Works on-site

Eastford Square - demolition


THOMAS
THOMAS

South Collyhurst – Construction of new homes

Manchester City Council
Report for Resolution

Report to: The Executive – 26 July 2023

Subject: HS2 Phase 2b Update & Additional Provision 2 (AP2)

Report of: Strategic Director (Growth and Development)

Summary

This report informs the Executive about the current progress of the High Speed (Crewe – Manchester) Bill (known as 'HS2 Phase 2b') in Parliament, and a second 'Additional Provision' (AP2) to the Bill. It outlines the key issues within AP2, and the Council's proposed response to it by means of a petition, together with a consultation response to the Supplementary Environmental Statement (SES).

Recommendations

The Executive is recommended to: -

(1) Note the current progress of the High Speed (Crewe - Manchester) hybrid Bill ("the Bill"), as introduced into the 24 January 2022 session of Parliament, as detailed in this report.

(2) Note the contents of AP2 to the Bill including the supporting SES and the proposed contents of the City Council's petition against aspects of AP2, and the proposed contents of the City Council's petition against aspects of AP2 and the SES consultation response set out in this report.

(3) Note the delegated authority approved by Council on 4 March 2022 to the Strategic Director – Growth & Development, in consultation with the Leader and City Solicitor, to take all the steps required for the Council to submit any petition and thereafter to maintain and if considered appropriate authorise the withdrawal of any petition points that have been resolved in respect of the Bill, and to negotiate and/or seek assurances/ undertaking/agreements in relation to aspects of the Bill.

(4) Note that the petition against AP2 is within the scope of the above delegated authority approved by Council on 4th March 2022.

(5) Note that the full AP2 petition will be circulated to Members at the same time as its submission to the House of Commons by the deadline of 15 August 2023.

(6) Note that the AP2 consultation response on the SES will be circulated to Members at the same time as its submission to Government by the deadline of 31 August 2023.

Wards Affected: Ardwick, Ancoats & Beswick, Baguley, Burnage, Didsbury East, Didsbury West, Fallowfield, Levenshulme, Northenden, Piccadilly, Rusholme, and Woodhouse Park.

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
At the national level, whilst there are likely to be additional carbon emissions in the short-term from the construction of HS2, the project is likely to be less carbon intensive than other non-rail alternative transport schemes that would deliver similar transport outcomes. More crucially, high speed rail can encourage a modal shift away from car use, especially where it creates capacity on the conventional railway, to encourage more shorter-distance trips by rail. In addition, improvements to rail capacity will enable more freight to be transported using rail, reducing the number of journeys by road, and has the potential to reduce demand for domestic flights. The integration of HS2 and NPR and investment in new rail infrastructure also provides opportunities for decarbonisation of rail, across the North. All these factors are important contributions to acting on the climate change emergency declared by Manchester City Council, helping to reduce carbon emissions in line with policy aspirations to become a zero-carbon city by 2038, supporting the emerging Clean Air Plan for Greater Manchester. Major investment in both Manchester Piccadilly and Manchester Airport HS2/NPR stations will provide excellent facilities for public transport connections and support the integration of the transport network in Manchester, as part of the wider integration of transport for Greater Manchester and across the North. This would contribute to the city's zero-carbon targets and the planning of sustainable transport infrastructure to support future growth. All new development around Piccadilly under the Strategic Regeneration Framework is expected to be zero-carbon. Similarly, we expect HS2 Ltd to use sustainable materials and methods of construction, which will not impact on the city's zero-carbon targets - the target for the city to be zero-carbon by 2038 at the latest aligns with the current estimated completion dates for HS2 in 2036-2041. We have challenged DfT/HS2 Ltd on these issues are part of our Environmental Statement response. We are also challenging HS2 Ltd on proposals for highways layouts and levels of car parking in the city centre. The City Centre Transport Strategy includes the ambition to reduce vehicles in the city centre and increase the use of public transport and active travel modes for travelling around, to and from the city centre. If proposals appear to be contradictory to our local policies and targets on climate change, then we will look to petition against those aspects as part of the parliamentary process.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
The HS2 Phase 2b Bill included and a full Equalities Impact Assessment. The Council provided a response to the consultation on the EqIA, which welcomed the commitment of HS2 Ltd to consider equality as part of the assessment for the Proposed Scheme, but highlighted issues that, in our view, could be resolved or improved by HS2 Ltd The Council will seek to ensure, both through the parliamentary process and working with HS2 Ltd. and DfT, that equality issues are robustly considered by HS2 Ltd. throughout the design and implementation of the Proposed Scheme and ensure that any adverse impacts on Protected Characteristics Groups (PCG's) during construction or operation are avoided or mitigated appropriately, where possible

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	A high-speed line between Manchester, the West Midlands and London, and improved rail connections in the North of England, as proposed by Transport for the North through Northern Powerhouse Rail (NPR) will support business development in the region. The scheme has the potential to provide a catalyst which can attract further investment into Greater Manchester by creating a new gateway into the regional centre and boost the investor confidence in the area. Specifically, the proposals for HS2/NPR stations at Manchester Piccadilly and Manchester Airport provide major opportunities for stimulating economic growth and regeneration in the surrounding areas.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The high-speed rail network serving the city centre and the Airport, regeneration of the Piccadilly area, will enable and further development around the Airport, and thus contribute towards the continuing economic growth of the city, providing additional job opportunities, at a range of skill levels, for residents. As part of the high-speed rail Growth Strategy, a Greater Manchester High Speed Rail Skills Strategy has been developed, to best enable residents to access the opportunities created by both the construction of the High-Speed rail

	infrastructure and from the additional investment and regeneration arising from it.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The economic growth brought about by high-speed rail, and the regeneration of the Piccadilly area, will help to provide additional job opportunities for residents, as well as improved connections for our communities to jobs in the city centre and beyond. The area will also provide new leisure opportunities, including new areas of public realm, accessible to all members of the public.
A liveable and low carbon city: a destination of choice to live, visit, work	The Manchester Piccadilly Strategic Regeneration Framework (SRF) provides a vision and framework for the regeneration of the Piccadilly area as a key gateway to the city, with a unique sense of place. Providing new, high quality commercial accommodation, new residential accommodation and the public amenities including public realm, retail, and leisure opportunities, will create a desirable location in which to live, work and visit. HS2 will enable the provision of improved public transport, through the capacity released on the classic rail network and, if aligned with Greater Manchester's plans, integration with other transport modes at Manchester Piccadilly and Manchester Airport. This can encourage more public transport journeys and less reliance on cars. Improvements to rail capacity will also enable more freight to be transported using rail, reducing the number of journeys by road. The provision of HS2 and NPR will also support the planned development around Piccadilly and the Airport included within the draft Places for Everyone Framework.
A connected city: world class infrastructure and connectivity to drive growth	HS2, together with NPR and the proposed Northern Hub rail schemes, will bring a step change in rail connectivity both across

	GM and to the rest of the UK. HS2 and NPR will radically enhance north-south and east-west connectivity between the country's major cities, which will increase labour market accessibility, open new markets for trade and stimulate economic growth, as well as better connecting people to job opportunities. The city's plans for Manchester Piccadilly and Manchester Airport Station are to provide world-class transport interchanges that can act as gateways to the city and city region.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There will be staff time resources and associated expenses arising from petitioning and negotiating and seeking agreements with HS2 Ltd. on petitioning points. These will be met through mainstream or HS2 related budgets. As part of the Council's Budget, an annual budget of £248k was allocated for additional staffing resource to support the Council's work on HS2, funded from the capital fund.

MCC's original petition and ES response sought resources from HS2 Ltd. for any additional work or resources required as a result of the delivery of the HS2 scheme. This will also be included in our response to AP2 where appropriate. It is anticipated that this matter will be an area of future negotiation with HS2 Ltd.

Financial Consequences – Capital

None directly from this report.

Legal Considerations

The Council is being supported by Parliamentary Agents through the petition process.

Contact Officers:

Name: Rebecca Heron
Position: Strategic Director - Growth and Development
Telephone: 0161 243 5515
E-mail: Rebecca.Heron@manchester.gov.uk

Name: Pat Bartoli
Position: Director of City Centre Growth & Infrastructure
Telephone: 0161 234 3329
Email: Pat.bartoli@manchester.gov.uk

Name: Fiona Ledden
Position: City Solicitor
Telephone: 0161 234 3087
E-mail: fiona.ledden@manchester.gov.uk

Background documents (available for public inspection):

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

- Report to Executive 27 June 2018 – Manchester Piccadilly Strategic Regeneration Framework Update 2018
- Manchester Piccadilly Strategic Regeneration Framework 2018
- HS2 Working Draft Environmental Statement 2018, available at: https://www.gov.uk/government/collections/hs2-phase-2b-working-draft-environmental-statement
- Report to Economy Scrutiny 7 November 2018 - HS2 Working Draft Environmental Statement (WDES)
- Report to Executive - 12 December 2018 - HS2 Working Draft Environmental Statement (WDES)
- HS2 Phase 2b Working Draft Environmental Statement Consultation Response of the Greater Manchester Combined Authority 2018
- HS2 Phase 2b Working Draft Environmental Statement Consultation Response of Manchester City Council 2018
- HS2 Phase 2b Design Refinement Consultation 2019, available at: https://www.gov.uk/government/consultations/hs2-phase-2b-design-refinement-consultation
- Report to Executive – 11 September 2019 – HS2 Phase 2b Design Refinement Consultation 2019
- HS2 Phase 2b Design Refinement Consultation 2020, available at: https://www.gov.uk/government/consultations/hs2-phase-2b-western-leg-design-refinement-consultation

- Report to Executive - 9 December 2020 - HS2 Phase 2b Western Leg Design Refinement Consultation Response

- Report to Economic Scrutiny 5 March 2020 - High Speed North (High Speed 2 and Northern Powerhouse Rail) Update

- Report to Economic Scrutiny 10 March 2022 - HS2 Phase 2b Western Leg - Environmental Statement Consultation & hybrid Bill Petitioning Response

- Report to Executive 16 March 2022 - HS2 Phase 2b Western Leg - Environmental Statement Consultation & hybrid Bill Petitioning Response

- HS2 Phase 2b hybrid Bill and related documents: https://Bills.parliament.uk/Bills/3094

- Report to Economic Scrutiny 21 July 2022 - HS2 Update and Petition

- Report to Executive 22 July 2022 - HS2 Update and Petition

- HS2 Phase 2b hybrid Bill Additional Provision 2: HS2 Phase 2b: High Speed Rail (Crewe – Manchester) Additional Provision 2 - GOV.UK (www.gov.uk) and Additional Provision 2 Supplementary Environmental Statement: HS2 Phase 2b (Crewe – Manchester) Additional Provision 2 Environmental Impact - GOV.UK (www.gov.uk)

1.0 Background

1.1 High Speed Two (HS2) is the Government's scheme to implement a new high speed north – south railway network, from Manchester to London via Birmingham and Crewe. This is a major national infrastructure proposal that would be progressed over several decades and is being taken forward in a number of phases. 'Phase one' will connect London with Birmingham and the West Midlands. 'Phase 2a' will extend the route from the West Midlands to Crewe. 'Phase 2b' will connect Crewe to Manchester. Phase one received Royal Assent on 23 February 2017 and Phase 2 received Royal Assent on 11 February 2021.

1.2 As reported to Executive in March 2022, the Bill for HS2 Phase 2b (Crewe – Manchester) was deposited in Parliament by the Department for Transport (DfT) on 24 January 2022.

1.3 The Phase 2b Bill would grant the powers and permission for HS2 Ltd to build and operate the railway between Crewe and Manchester. This would include powers to implement new HS2 stations at Manchester Piccadilly and Manchester Airport, and a railway tunnel from Davenport Green to Ardwick with ventilation shafts at Junction 3A of the M56, Withington Golf Club (Palatine Road), a site near the Christie Hospital (Wilmslow Road), and Fallowfield retail park (Birchfield Road).

1.4 As previously reported to Executive, the Council is fully supportive of the introduction of HS2 and NPR and the provision of stations at Manchester Piccadilly and Manchester Airport. However, we have consistently retained a clear position on the need to ensure that the schemes are delivered in a manner that fully complements the connectivity, place-making, local employment, and sustainable growth objectives as set out in the Manchester Piccadilly Strategic Regeneration Framework (SRF) and the Greater Manchester HS2 and NPR Growth Strategy.

1.5 The extraordinary Council meeting on 4th March 2022 granted delegated authority to the Strategic Director for Growth and Development, in consultation with the Leader of the Council and City Solicitor, to petition against the HS2 Phase 2b hybrid Bill (the Bill). The Council submitted its petition to Parliament on 4 August 2022, in line with the deadline. The report to Executive on 22 July 2022 outlined the key issues included in the petition and a full copy of the petition was made available to Members following its submission.

2.0 Progress of the Bill in Parliament

2.1 The HS2 Phase 2b Bill has now gone through the following stages:

- High Speed Rail (Crewe – Manchester) Bill deposited to Parliament on 24 January 2022.
- Environmental Statement and Equality Impact Assessment Consultation period closed on 31 March 2022.

- Independent Assessors Report regarding consultations on the Environmental Statement published on 6 June 2022.
- Second Reading of the Bill in the House of Commons on 20 June 2022.
- Additional Provision 1 deposited on 6 July 2022 making amendments to the Bill outside the city on the removal of the Golborne Link (a piece of infrastructure connecting HS2 to the West Coast Mainline south of Wigan).
- The deadline for petitions against the Bill was 4 August 2022.
- The deadline for petitions against Additional Provision 1 was 9 August 2022.
- HS2 (Crewe-Manchester) Bill Select Committee began to formally meet in September 2022.
- Select Committee heard cases from petitioners whose “right to be heard” (ie to appear at Committee to present their petitions) had been challenged by HS2 Ltd. in early March. This included a number of GM MP’s.
- Select Committee began hearing petitions against the Bill in March 2023.
- MCC and Transport for Greater Manchester (TfGM) gave evidence to the Select Committee on the petition request for Piccadilly High Speed Station to be an underground through station in June 2023 (more detail below).
- Additional Provision 2 deposited on 3 July 2023, setting out a number of amendments along the route between Manchester Airport and Manchester Piccadilly, and with a deadline for petitions of 15 August.
- Consultation on the Supplementary Environmental Statement, which sets out the effects, mitigations, and compensation from the changes in Additional Provision 2 launched on 4 July 2023, with a deadline of 31 August for responses.

2.2 **Piccadilly Underground Select Committee Hearings**

2.3 One of the key issues included within the Council’s petitions was that the proposal within the Bill for a 6 platform surface, turn-back high speed station at Manchester Piccadilly was inadequate for reasons of reliability, capacity, resilience and future proofing, as well as negatively impacting the ability to deliver regeneration both around Piccadilly and out towards East Manchester. The petition requested that this proposal be re-considered in favour of an underground, through station option, which would better serve both HS2 and future Northern Powerhouse Rail (NPR) services, and bring maximum benefit to both the city and the wider North.

2.4 The Select Committee invited the Council, GMCA and TfGM to present the arguments within the petition on the Piccadilly underground station issue on 12-13 and 19-20 June 2023.

2.5 The Council, GMCA and TFGM were represented by the Leader of the Council, TfGM’s Transport Strategy Director and technical expert witnesses on rail operations, engineering, development and economic analysis. DfT and HS2 Ltd. also presented their case as to why the proposals in the Bill are preferable to the Manchester and GM plans.

2.6 Lucy Powell, MP for Manchester Central, was also invited to appear on 20 June, as she had separately submitted a petition on this issue, amongst others.

2.7 The Select Committee have since carried out a visit to Old Oak Common on 5 July 2023 to see a station under construction, and are expected to announce their decision on the issue in due course. Although there is no specific date for this, it is expected before summer recess.

2.8 It is expected that the Council and other GM Partners will be invited to present evidence to the Select Committee on the other outstanding issues in our petitions from the autumn.

3.0 Additional Provision 2 (AP2) Content & Petition Points

3.1 DfT submitted a second Additional Provision to the Bill ('AP2') on 3 July 2023 detailing further changes to the proposals currently in the Bill. This was accompanied by a Supplementary Environmental Statement (SES), which sets out the environmental impacts of, and mitigation measures planned for, the proposed changes. As with the main Bill, parties who are directly and specifically impacted by the AP2 proposals are invited to submit petitions by 15 August 2023, and a consultation on the SES is being undertaken, with a closing date of 31 August 2023.

3.2 There are a number of changes in AP2 which impact the Council and other Greater Manchester (GM) Partners (TfGM, Trafford Council and Manchester Airport Group (MAG). We propose that the Council submits a petition to aspects of AP2 that adversely affect the city, and a response to the SES consultation. The main changes proposed which affect the Council, and our proposed petition response, are set out below. The issues set out are based on an initial review of the AP2 documents and may need to be updated following a full review of the AP2 documents.

3.3 As with the main Bill petition, the Council is continuing to work closely with GM Partners in preparing their respective petitions. The Council's petition will be in alignment and consistent with those of other GM partners, whilst emphasising and highlighting issues of particular concern for the city. It should also be noted that this petition will cover the changes proposed by AP2 and not seek to repeat the concerns included within the original petition which still stand, except where AP2 impacts those issues.

3.4 A copy of the full petition will be provided to Members at the time the submission is made.

3.5 **Manchester Airport Area**

3.6 **Relocation & re-configuration of Junction 6 M56 & associated highways works:** AP2 proposes major changes to the existing Bill design of the M56 Junction 6. The new design now accounts for NPR traffic demand and has incorporated updated highways modelling, which were concerns raised in our earlier petition. It also only requires the M56 to be realigned once, rather than twice as with the Bill design. However, the design solution raises areas of concern for GM partners, which we will look to include in our AP2 petition.

3.7 The proposed solution is a very large junction, located in a relatively constrained area. Although the revised junction design considers NPR demand, it does not include all of the demand related to wider developments included within Places for Everyone allocations, and we would require additional modelling to be undertaken to assess this demand. Crucially, we will request that HS2 Ltd. work with GM Partners and National Highways to develop a multi modal, rather than a vehicle dominated, approach to station access, as requested in our original petition.

3.8 Further active travel provisions are being proposed as part of the highways access to the station, including reinstatement of Footpath Hale 16. This is welcome, but we feel that the provisions are still not sufficient for the numbers of people anticipated to access the station by foot or cycle, and we will be seeking enhancements to the proposals.

3.9 Further key issues which we plan to petition on are the extent of the land take, which we believe to be excessive, and the visual impact on local communities. Both of these issues particularly affect Ringway Parish. We will request that appropriate mitigation and compensation is provided to local residents who are impacted. The proposals also involve the direct loss of non-designated heritage assets such as Keeper's Cottage, and raise concerns about the long term viability of Yewtree House (Grade II listed) which is now directly adjacent to the proposed construction boundary.

3.10 There is a concern regarding the proximity of the M56 Junction 6 slip road to the Global Logistics Hub and the removal of the lorry park and the consequent impact on the Amazon warehouse and the Hut Group. Our petition will request that HS2 Ltd. works with us to ensure that there is no loss of local employment or adverse impact on existing business operations.

3.11 The size of the new junction impacts on TfGM's proposed tram train route.

3.12 **Airport Metrolink Western leg**: The Bill grants HS2 Ltd powers to construct, operate and maintain a variation to the Western Leg extension to the Airport Metrolink line to the one included within TfGM's approved Transport & Works Act Order. This was a major point within the Council's petition, as the Bill proposals severed TfGM's powers without providing an alternative arrangement. However, the Council is still reviewing whether the land acquisition powers included in AP2 are sufficient for the construction of Metrolink. The Council will support TfGM in ensuring that all required powers are included.

3.13 **Metrolink Southwest link**: AP2 includes provision for a Metrolink turnout for a southwest link joining the Mid Cheshire Line between Ashley and the Manchester Airport High Speed Rail Station. However, the increased size of the new M56 Junction 6 design conflicts with the ability to deliver the southwest tram train route. MCC will further support TfGM in requesting that HS2 incorporates appropriate amendments to the Bill to provide sufficient safeguarding for the future construction of tram train routes in the area.

3.14 **Car parking:** Additional car parking spaces have been added on the roof areas of the car parks at the Manchester Airport station, increasing the number of spaces to 3,952. This is out of line with GM's 2040 Strategy aspirations to reduce car travel in favour of other modes of transport. Our petition will seek justification for the number of car parking spaces, noting also our request for a multi-modal approach to be taken to station access.

3.15 **Thorley Lane / Runger Lane Junction:** The Thorley Lane/Runger Lane junction is proposed to be modified to enable construction in this area. Updated transport modelling now assumes that Runger Lane will be a single carriageway when HS2 construction commences (rather than a dual carriageway having already been provided by MAG as in the Bill) and a dual carriageway will be provided in 2038. The Council's petition will seek assurance that HS2 Ltd. will deliver appropriate mitigation for any significant adverse traffic if Runger Lane is not a dual carriageway by 2038 as assumed.

3.16 **Sunbank Lane Closure and Overbridge:** AP2 proposes to significantly realign the overbridge crossing the new M56 alignment. Sunbank Lane will be permanently closed to the east of Yewtree House to accommodate the M56 junction 6 Wilmslow Road link road and the M56 junction 6 westbound exit slip road, with access to properties retained on the southern side of the HS2 route. The Council's petition will raise concerns regarding the impacts of these proposals on local residents and businesses in the immediate vicinity of the area, and will seek appropriate mitigation.

3.17 **Sunbank Wood and Cotteril Clough:** AP2 proposals would directly and indirectly impact areas of special biological important (SBI) which include ancient woodland. The proposals would result in the loss of approximately 0.41hectares of ancient woodland. HS2 Ltd have indicated additional ecological mitigation in the wider area on their current plans and the Council intends to petition to ensure any adverse impacts on Manchester's blue and green infrastructure are avoided, where possible, or minimised and mitigated.

3.18 **Local Highways Impacts in the Airport Area:** There are a further 83 junctions in the Airport area where serious adverse effects are predicted. The Thorley Lane/Runger Lane junction modification may provide some positive implications for construction and logistic routes. However, there are additional construction routes proposed, including the whole of Sunbank Lane (see above) and a longer route along Roaring Gate Lane, which impacts on the construction of Metrolink. Mitigation for these impacts will be sought.

3.19 **Ventilation Shafts, Manchester Tunnel & Ardwick Tunnel Portal**

3.20 AP2 includes proposals to revise the ventilation system at the ventilation shafts, from 3 vertical fans to 2 horizontal fans (except for the Wilmslow Road shaft as explained below), for safety and maintenance reasons. This has the effect of increasing the footprints of the headhouses, and we will expect HS2 Ltd. to provide appropriate mitigation.

3.21 **Palatine Road / The Hollies ventilation shaft:** AP2 proposes to relocate the ventilation shaft from the Bill location on the site of Withington golf course's clubhouse (known as the 'Palatine Road vent shaft') to the former Hollies Convent School (renamed "The Hollies vent shaft"). Our original petition requested that a new location be identified for this vent shaft, due to its location within the flood mitigation basin and local community impact.

3.22 While it is positive that HS2 have responded to our concerns, and an alternative location has been sought, there are concerns related to the access road to the ventilation shaft, which passes from Barlow Moor Road, through land which is planned for a new school development. We propose that the petition includes a request that HS2 Ltd. consider alternative access routes to the site that avoid adversely impacting on adjacent communities, including impacts on the wider road network and/or existing or planned facilities. Also, the construction compound will be located on the car park of the site. This may impact on the ability to operate the new school and appropriate mitigation will need to be provided.

3.23 We also have concerns about safety issues, as the location is still within the flood plain (though not in the flood basin), and about the noise and visual impact of the ventilation shaft headhouse on local properties particularly on Mersey Road. The headhouse will be a sizeable structure taking several years to construct. Our petition will request adequate mitigations to address these issues. It should be noted that no further mitigation measures are proposed at this, or any of the other ventilation shafts.

3.24 **Birchfield Road ventilation shaft:** The location of the Birchfield Road ventilation shaft and auto transformer station remains on Fallowfield Retail Park, as in the Bill, despite our petition request to consider an alternative location. The tunnel realignment, resulting from the relocation of the Palatine Road ventilation shaft, could have provided an opportunity to reconsider the location.

3.25 The tunnel realignment requires a slight shift of the headhouse towards the railway line, and there is also an increase in the below ground footprint, in order to minimise the surface profile and increase ventilation efficiency. This slightly reduces the surface dimensions of the headhouse at the surface, but increases the permanent ventilation shaft compound from 0.4ha to 0.6ha.

3.26 We will reference our original petition request for an alternative location to be found, and further object to the increased land take proposed by AP2, and the visual impact of the illustrative design of the auto transformer station, which is unacceptably large and out of keeping with the area.

3.27 **Wilmslow Road ventilation shaft:** Unlike the other ventilation shafts, it is proposed that the structure at Wilmslow Road retains vertical, rather than horizontal fans, in order to avoid the need to demolish existing properties. The change in the ventilation system increases the height of the headhouse from 7.3m to 12.7m. Whilst it is positive that HS2 Ltd. are sensitive to the need to avoid demolishing more properties, the illustrative design shows that the structure would have a significant visual impact. We would need robust assurance from HS2 Ltd. that they would work with the Council to ensure a sympathetic design for the headhouse, and that the impact of any additional height on local residents and users of the Christie Hospital would be appropriately mitigated as far as possible. We will also request that consideration is given to increasing some of footprint below ground, as is being suggested at Birchfield Road, in order to reduce the above ground height.

3.28 **Manchester Tunnel alignment:** The relocation of the Palatine Road ventilation shaft requires a localised re-alignment of the tunnel between Newall Green and Birchfield Road. We will need to ensure that affected residents are fully informed of this change, and compensated for any impacts resulting from it.

3.29 **Spoil storage & removal - Rail Sidings, Ardwick:** AP2 proposes increasing the area for spoil storage in Ardwick, prior to its removal, due to a reduction in the size of freight trains available to HS2 Ltd. Due to the availability of train “paths” to remove spoil, HS2 Ltd. are now planning to run trains during the night (each day), rather than just during the day. This is likely to be for the full period of the main construction works. Our petition will raise the impact on local residents, and request that options are considered to run more trains during the day. Significant mitigation against noise, light pollution, vibration and visual impact will also be sought.

3.30 AP2 also refers to the fact that changes will be made to the volume of excavated material to be removed by road. We will seek further information from HS2 on the movement of material, and re-emphasise our view that solutions should be found to remove as much material by rail as possible. We will also seek further mitigation from any additional HGV movements on the local road network.

3.31 Rondin Road has also been permanently realigned, and a modified junction proposed, to accommodate the extended rail sidings. The cycle crossings for the realigned junction do not appear to be compliant with the latest guidance and our petition will request that the cycle crossings are re-designed appropriately.

3.32 **New Electricity Northwest Substation, Ashton Old Road, Ardwick:** A new substation is proposed on Ashton Old Road, with a new access road off Rondin Road. As well as taking land in a potential development area, the location of a substation in this location could impact on future Metrolink tram train routes. We will request that an alternative location is found for this facility.

3.33 **Greening area - Ardwick Station:** A “greening” area is indicated near the existing Ardwick station, to replace grassland lost elsewhere. We view this to be in the wrong location, taking land which could be used for redevelopment, as part of the wider regeneration of East Manchester, leading out from Piccadilly station. We will ask that a more appropriate location is identified.

3.34 **NPR viaduct:** AP2 includes the addition of a single track viaduct as part of the NPR Manchester to Leeds Junction. Notwithstanding our overall position that Manchester Piccadilly Station should be an underground station (that would remove the need for the viaduct), we will request assurance that this will be constructed at the same time as the HS2 works (to avoid sterilising land for a lengthy period, extending construction impacts and causing long term blight) and that appropriate mitigation is provided both during and following construction, including adequate screening.

3.35 **Piccadilly Area**

3.36 **Pin Mill Brow**: Minor changes are proposed to the gyratory junction, to provide an additional cycle link and pedestrian crossing. The revised design also takes additional land within the junction, which is contrary to our previous petition request. We do not believe that the revised proposals provides adequate active travel provision, and will petition to request a design which minimises car use and maximises active travel and public transport. We believe that this will require additional land to be brought into the Bill Limits. The junction design also prevents an at-grade segregated crossing for future tram train routes.

3.37 **Car parking**: In AP2, HS2 Ltd. propose the relocation of one of the two car parks from its current Bill proposed location on the Boulevard (the Boulevard is a central component of the Piccadilly SRF) into the Multi Modal Hub (MMH), located between the HS2 viaduct and the existing Network Rail viaduct. This removes the bus and coach facilities from the MMH, which is contrary to the view given in our first petition that the MMH should prioritise public transport (i.e. buses and coaches) rather than parking. It also relocates taxi pick up to Fairfield Street, conflicting with future aspirations by Network Rail and for the Mayfield development, to create a future southern entrance and arrival point for the existing station.

3.38 HS2 propose to maintain the position of the second car park in its current Bill position, on the Boulevard, which also conflicts with the Portugal Street East development. There is no indication that the overall number of parking spaces is to be reduced, and it is unclear how vehicles would access the car park. The Council will retain the current petition points opposing the location and excessive number of car parking spaces.

3.39 Accessible car parking provision has been relocated from the proposed car parks on the Boulevard to the existing Network Rail short-stay car park, next to the existing taxi rank. Whilst this is a more compliant location for accessible parking, we would wish to ensure that there remains a route for pedestrians from the High Speed station to Mayfield. AP2 also makes this a permanent facility (as opposed to temporary whilst the car parks were built as proposed in the Bill). We oppose a permanent arrangement in this location, as it would prevent the future creation of a southern entrance and arrival point for the classic rail station, meeting the aspirations for Mayfield and of Network Rail. We will further request that HS2 Ltd. work with us on alternatives for accessible parking provision.

3.40 **Boulevard –** As indicated above, the SRF includes a high quality Boulevard along the North side of the high speed station, which would be a key public realm connector, catering for pedestrians and cyclists, with vehicle traffic limited to the free bus. AP2 does remove most of the general traffic running on the Boulevard (known as New Sheffield Street) proposed in the Bill, but retains and increases taxi drop off provision. There are also concerns with the adequacy of active travel provision on the Boulevard, and access arrangements to local roads and a loading bay, which could impact on the overall use and environment of the Boulevard. Our petition will request that HS2 Ltd. work with us to agree the design of the Boulevard and find an alternative arrangement for taxi drop off at the station.

3.41 **HS2 fire escape & access ramp:** A new fire escape is also proposed at the corner of the remaining car park plot, together with a new access road. Our petition will raise concerns about the impact on the Portugal Street East development and request that alternatives are considered.

3.42 **Network Rail ramp**: The ramp remains in the same location as in the Bill. However, AP2 proposes an alternative route to access the ramp, removing the necessity for vehicles to travel through the Mayfield area. While the avoidance of the Mayfield site is positive, there remain impacts on the overall environment surrounding Mayfield, particularly at Temperance Street. We will, therefore, request that further access routes to the ramp are considered, which further reduce or remove the impact on Mayfield. AP2 continues to indicate the stopping up of Hoyle Street, Chapeltown Street and Temperance Street, with routes for maintenance vehicles only, impacting on access routes to this flagship regeneration area. Our petition will seek assurance that access to Mayfield will continue to be provided.

3.43 **Fairfield Street:** As well as the proposals for accessible parking and taxi pick up, Fairfield Street will be impacted by a proposed bus layby. All of these changes affect the overall environment of the area from Piccadilly station to Mayfield, compromising the development.

3.44 **Gateway House (GWH)**: AP2 includes Gateway House as having been assessed for demolition and would provide the ability to demolish the building down to the level of the ramp if required. However, we understand that this has been included as a worst-case scenario, and that HS2 Ltd. do not intend to demolish the building. In the event that it proves to be required, the proposal is to build a slab at ramp level and hoarding off the site for future re-development. This both fails to provide the arrival plaza area requested in our original petition, and to deal with the risks to the delivery and operation of the re-located Metrolink station. We will retain our original petition position that Gateway House should be fully demolished (to true ground level) and seek assurances that this will be part of the final Piccadilly High Speed Station design.

3.45 **North Block relocation:** The construction of the Piccadilly high speed station requires the relocation of the "North Block" office building, located next to Gateway House. This is due to be relocated to above the existing station's "relay room" (signalling facility) and an existing catering facility. AP2 removes the catering facility to a different location (within the railway arches), but has reconfigured the new building structure so that it sits at surface level and, therefore, severs access to the joint Network Rail & HS2 concourse. This would prevent a new eastern entrance being created to facilitate access to the Network Rail station for residents from East Manchester, parts of the SRF area, and passengers arriving at the MMH.

3.46 The safeguarding of an eastern entrance is included in our original petition. The AP2 petition will reference this point in our original petition, note that the new proposals further compromise the ability to achieve this, and request that HS2 Ltd. redesign the building so that it safeguards the ability to deliver an eastern entrance in future.

3.47 **Network Rail loading bay:** AP2 proposes moving Network Rail's loading bay to the rear of Gateway House for a period of 5 years during construction, resulting in significant construction traffic and loading along Ducie Street. Assurances around adequate traffic management and mitigation will be sought.

3.48 **Travis Street sewer diversion:** The access to enable the required sewer diversion is to be moved from within Stockton's site (within the East Village Central SRF Area) into the junction on Great Ancoats Street. The move is positive in that it enables the redevelopment plans on a key regeneration site, but we will need to ensure that HS2 Ltd. work with the Highways Authority to ensure that any traffic disruption is carefully managed.

3.49 **Store Street sub stations & realignment**: AP2 proposes locating a number of sub stations on land off Store Street outside of the footprint of the High Speed Station. The location of the proposed sub stations would likely adversely impact the development potential of the nearby land in this area, which will front onto the new High Speed Station along the new boulevard. We will request that alternative locations be found for the sub stations.

3.50 In addition, the proposed realignment of Store Street included in AP2 impacts on the Metrolink proposals and safeguarding for Metrolink will be requested.

3.51 Further issues may be identified during the finalisation of the petition.

4.0 Supplementary Environmental Statement Response

4.1 Officers are in the process of reviewing the detail in the SES and preparing a response to the consultation. The issues contained in the SES include the following topics:

- Cumulative Environmental Impacts

- Air Quality
- Community impacts
- Climate Change
- Ecology & Biodiversity
- Electromagnetic
- Historic Environment
- Health
- Major Accidents & Natural Disasters
- Socio Economic
- Sound Noise & Vibration
- Traffic & Transport
- Water Resources and Flood Risk

4.2 Where appropriate, issues will also be brought into the petition

5.0 Next Steps

5.1 The Council will complete the petition on AP2 and submit it to the House of Commons by the deadline of 15 August 2023. We will work with GM Partners to ensure that the Council's petition complements and aligns with those of our partner organisations.

5.2 The Council will also complete the response to the SES in time for the deadline of 31 August 2023.

5.3 Following submission, we will prepare to appear before the Select Committee to make the case for both the outstanding points within our original petition, and the contents of the AP2 petition.

5.4 We expect that HS2 Ltd will look to negotiate with us leading up to, and throughout, our Select Committee appearances. We will seek satisfactory agreements, undertakings and assurances with them to remedy our concerns and issues regarding the proposed scheme. Where issues are satisfactorily resolved during negotiation, it may be possible to withdraw these petition points before appearing at Select Committee, in line with the delegated approval granted by Council.

6.0 Recommendations

6.1 Recommendations appear at the front of the report.

Manchester City Council
Report for Information

Report to:	Resources and Governance Scrutiny Committee – 20 July 2023 Executive – 26 July 2023
Subject:	Our Town Hall Project – Progress Update
Report of:	Deputy Chief Executive and City Treasurer

Summary

Previous reports to the Executive and the Resources and Governance Scrutiny Committee have provided regular progress reports on the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project. This report provides Members with a further update on the progress with the project since the last report to Resources and Governance Scrutiny Committee in October 2022.

Recommendations

(1) The Resources and Governance Scrutiny Committee is recommended to:

- note the progress made, and
- endorse the recommendation(s) to the Executive

(2) The Executive is requested to recommend to the Council a capital budget increase of £29.0m for the project, funded by borrowing.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
Our Town Hall will significantly increase its energy efficiency through the refurbishment process. Carbon emissions per person will be reduced through increasing the efficiency of the building services and increasing the use of the building. The operational phase of the project is predicted to emit between 20,223 and 22,303 T CO2e between 2024 and 2038. The carbon emissions per person are reduced between 17% and 24% when compared to pre-refurbishment CO2 emissions, and the energy consumption per head is reduced by up to 43%. The construction phase of the project is forecast to emit 402 tonnes of CO2. This number is significantly lower than a typical construction project of this scale, through

the procurement of renewable electricity for the construction period and limiting the use of diesel-powered equipment.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Manchester Town Hall refurbishment will provide the opportunity for a significant increase in employment within the building.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	The refurbishment will provide new opportunities for young people and graduates, including apprenticeships and work placements.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The refurbishment will increase the productivity and the efficiency of Council staff and support the development of an equitable city, taking advantage of new opportunities offered by devolution. There is also the opportunity through the co-location of public and private uses and new modern meetings rooms to promote collaboration and networking to strengthen the collaboration between organisations, businesses and residents, including the community and voluntary sector.
A liveable and low carbon city: a destination of choice to live, visit, work	The refurbishment will contribute to sustainable economic growth by retaining employment within a central location. It will significantly enhance the Town Hall's energy efficiency and enable the incorporation of sustainable design features.
A connected city: world class infrastructure and connectivity to drive growth	The refurbishment will retain and improve public uses within an accessible city centre location, connected to residents and visitors by the City's expanding public transport network. The work will reinforce the City's role as the centre of public and private sector networks and meetings in the north, with connections through the Airport to support international events.

Financial Consequences – Revenue

The capital financing costs associated with the increased capital budget will be funded from existing capital financing budgets.

Financial Consequences – Capital

The proposals in this report will increase the Council's capital budget by £29.0m, and funding this through borrowing will increase the Council's capital financing requirement by the same amount.

Contact Officers:

Name: Carol Culley
Position: City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Paul Candelent
Position: Project Director
Telephone: 0161 234 1401
E-mail: paul.candelent@manchester.gov.uk

Name: Jared Allen
Position: Director of Capital Programmes
Telephone: 0161 234 5683
E-mail: jared.allen@manchester.gov.uk

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.

1. Report to Executive Committee – Town Hall Complex Strategy – 23 July 2008
2. Report to Executive Committee – Town Hall Complex Programme – Transforming Customer Experience – 11 February 2009
3. Report to Executive Committee – Town Hall and Albert Square Maintenance Programme – 1 October 2014
4. Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: 'Our Town Hall' – 27 July 2016
5. Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: 'Our Town Hall' – 16 November 2016
6. Report to Executive Committee – Capital Programme (Budget 2017/18 – 2021/22) – 11 January 2017
7. Report to Executive Committee – Manchester Town Hall and Albert Square: 'Our Town Hall' – 8 March 2017
8. Report to Resources and Governance Scrutiny Committee – Our Town Hall Social Value and Communications – 22 June 2017
9. Report to Resources and Governance Scrutiny Committee – 'Our Town Hall' – 7 September 2017
10. Report to Executive Committee – Manchester Town Hall and Albert Square: 'Our Town Hall' – 13 September 2017

11. Report to Resources and Governance Scrutiny Committee – Manchester Town Hall and Albert Square ‘Our Town Hall’ – 9 November 2017
12. Report to Resources and Governance Scrutiny Committee - Manchester Town Hall and Albert Square ‘Our Town Hall’ – 1 February 2018
13. Report to Resources and Governance Scrutiny Committee Ethical Procurement Sub Group – 22 February 2018
14. Report to Resources and Governance Scrutiny Committee – Our Town Hall Project – Budget Position Update – 24 May 2018
15. Report to Ethical Procurement and Contract Monitoring Sub-Group - 7 June 2018
16. Report to Council – 11 July 2018 – ‘Our Town Hall update’
17. Report to Resources and Governance Scrutiny Committee- 06 September 2018 - ‘Management Contractor Procurement.’
18. Report to Report to Resources and Governance Scrutiny Committee – 06 December 2018 – ‘Letting of the Management Contract’
19. Report to Executive Committee – 12 December 2018 – ‘Management Contractor Appointment’
20. Report to Ethical Procurement and Contract Monitoring Sub-Group – 31 July 2019
21. Report to Ethical Procurement and Contract Monitoring Sub-Group – 04 October 2019
22. Report to Report to Resources and Governance Scrutiny Committee – 24 February 2020 – ‘Notice to Proceed to into Construction.’
23. Report to Executive Committee – Capital Programme Update-Addendum to Capital Programme Update Report-Our Town Hall Project-Deferred Notice to Proceed into Construction – 03 July 2020.
24. Report to Resources and Governance Scrutiny Committee – 20 July 2021
25. Report to Resources and Governance Scrutiny Committee – 11 October 2022

1.0 Introduction and background

1.1 The report to Resources and Governance Scrutiny Committee in October 2022 reported that:

- Excellent progress had been made against the project's Social Value objectives and had already exceeded many of its Social Value KPI Objectives.
- Whilst the project was forecasting to budget on both Capital and Revenue, as the result of significant challenges the risks had increased significantly and the project would be likely to overrun budget by at least £17m.
- The project was 50% through the construction works and it was clear that the project completion date would be delayed as a result of a number of significant challenges including the further impact of Covid-19; the impact of Discovery on the critical path; delays with the completion of stage 4 design for some work packages; and the ongoing market conditions which had impacted the ability to procure work packages. The impact of these challenges was still under review.
- Albert Square had been opened temporarily to the public with a very positive response.
- Package procurement had delivered cost surety (by value of works packages procured) of 90%, with 20 works packages still to procure, at a budget value of £28m.

1.2 The current position is that:

- Excellent progress continues to be made with Social Value, with 57% of the project spend within Manchester (baseline target 40%) and 47% of the workforce being Manchester residents (baseline target 30%) and a social value ROI of £14.6m.
- The work to develop the detail of how the building will run is picking up pace, including revenue planning and operational strategies.
- Package procurement has advanced to 96% cost surety (by value of works packages procured) by end April 2023. The works packages still to procure are budgeted at £17m.
- The project is 60% through the existing programme for the construction works, and the quality of the works continues to exceed expectations.
- The exceptional safety performance of the project has been maintained, with the number of person hours without critical injury or incident now at 2.25 million hours to end April 2023.
- The quality of work undertaken and the project's approach to the planning and execution of the works has been the subject of an extremely complimentary note of thanks from the Palace of Westminster Restoration & Renewal (R&R) team following an engagement visit to the project in March 2023. To quote from the note of thanks:

  Palace of Westminster: *'…the project was amazing and the OTH team should be proud, as you are creating a great legacy for the people of Manchester. …we were all leaving with valuable learning points and finally, the opportunity has been motivational. The R&R programme is lengthy,* *with site work being years away. It was therefore highly beneficial for us to visit a vision of our future, an experience we would share with colleagues.*

As you know, such was our interest in OTH, we were determined to overcome two sets of transport strikes to visit. I am aware the interest is shared at the highest governance level of the R&R programme, such that I may be in contact about a very high level ……further visit to OTH.'

A visit of the Oversight Board for the R&R project took place on 30 June 2023.

- The contract date for completion of the construction works remains 25 June 2024. However, as a result of the ongoing challenges to the programme, the completion date will need to be updated to realistically reflect the latest position. In the meantime, it is now clear that the delays caused by Covid-19 and discovery will be significant and without any mitigation could add two years of delay.
- The cost of delay and hyper-inflation on the project is set out later in the report and the impact is significant.
- There has been significant further discovery since Resource and Governance Scrutiny Committee in October. The risks of further discovery will reduce after January 2024, when the roof works will be complete. For that reason, it is not proposed to fix a completion date until these works are completed. The intention is to seek additional funding for the period until December 2023, at which point the position will be further reviewed.

2.0 Update on the Operating Model

2.1 A separate workstream is underway to develop the operating model for the building. The Deputy City Treasurer is leading the work to develop the business plan that sets out the costs to operate the town hall and civic quarter alongside the commercial opportunities. This work will be aligned with the Council's budget process.

2.2 Progress has been made with the design of the Visitor Experience (VE), following extensive consultation with Manchester residents and community groups in order that their stories and images can create a new narrative for the building. The project is addressing under-representation in the building's existing story and collections, including women and people from diverse ethnic backgrounds. The procurement of the VE fit out will commence in Summer 2023.

3.0 Social Value Update

3.1 The future of cities like Manchester is inextricably tied to being a great place to live. Those cities with a high quality of life will benefit the people already living in them and will attract greater numbers of talented people to be part of their future, which in turn attracts investment and jobs.

3.2 The project brief for OTH recognized the part that could be played by the Town Hall and Albert Square in improving the quality of the City's Civic Quarter: they had the potential to be the most important elements in terms of heritage and symbolic significance. By restoring and celebrating this iconic heritage asset, and significantly improving the quality of the public square at the heart of the city, this project will contribute to the quality of life for all. It will drive footfall into the city centre which in turn will spill out into wider economic benefit for the people and businesses of Manchester.

3.3 Achieving economic and social value for Manchester remains a core project objective and excellent progress has been made. The project is currently forecast to deliver a Social Value ROI of £14.61m, which equates to 4.74% of the overall capital budget. This compares to 4.25% in October 2022.

3.4 Progress against each of the project KPIs is noted below:

- Local Spend – 57.25% of the project spend has been in Manchester against a baseline target of 40%. This compares to 56.75% in October 2022.
- Local Labour – 47% of the current project workforce is made up of Manchester residents against a baseline target of 30%. This compares to 45% in October 2022.
- New Jobs Created – 254 jobs have been created across the Project Team of which over 40% have been filled by Manchester residents, against a baseline of 36 new jobs. This compares to 237 jobs in October 2022.
- New Apprenticeships – of a base target of 100, 93 apprenticeships have been delivered at level 2 and 3. Of these 86 have been filled by Manchester residents in supply chain roles and heritage trades on the project. Successful partnerships have continued with employment brokers to help fulfil available apprenticeship roles, these brokers include DWP, B2W, and ProcurePlus. This compares to 75 level 2 and 3 apprentices in October 2022.
- New Higher-Level Apprenticeships – to date 54 higher level apprenticeships have been delivered on the project of a base target of 50. This includes the first cohort of PlanBEE apprentices from 2021-22, with an additional 6 PlanBEE apprentices joining the project from September 2022. This compares to 48 higher level apprenticeships in October 2022.
- School Engagement – against a project target of 50, 201 sessions have been held in Manchester schools covering careers, employment, and STEM. Project staff have delivered these sessions to schools across the geographical breadth of the city to ensure inclusivity of access to the project. This compares to 156 higher level apprenticeships in October 2022.
- Work Experience – against a project target of 100, 304 placements provided for residents, school and college students including T-Level placements and Level 3 Architectural, Construction Engineering (ACE) Scholarship placements with the Manchester College. This includes bespoke work experience delivered to special educational needs students in Manchester schools. This compares to 110 placements in October 2022.

- Higher Education Engagement – 40 research projects have to date been completed (100% of the project base target) including the annual Manchester School of Architecture Events programme. This compares to 35 research projects in October 2022.
- Volunteering – against a project target of 10,000 hours, 5,740 hours of voluntary time has been provided to support Manchester. This includes the continued support of 422 Manchester, as well as the support of neighbourhood led community projects including Greek Street Gardens in Ardwick. This compares to 5,740 volunteering hours in October 2022.

3.5 All contractors working on the project continue to pay a minimum of the Real Living Wage and avoid offering zero-hour contracts. The Council's Ethical Procurement Policy is embedded into the contract with the Management Contractor and is appropriately reflected throughout the project supply chain.

3.6 The project will continue to align project activity with specific training and skills for priority resident groups whilst continuing to challenge diversity in the construction industry and open opportunities that are representative of our Manchester communities. Ways in which this is being done include:

- Apprenticeship incentivisation – Employers continue to take advantage of grants and financial incentives linked to apprenticeships, including government grants and additional industry incentives provided by the Construction Industry Training Board.
- Work Placements – Lendlease and the Design Team consultants continue to offer regular work experience to school aged residents, with a particular focus on students who would otherwise be at risk of having no placement. Employers continue to collaborate with school careers leads as well as engaging with BW3 (Business Working with Wythenshawe) to identify appropriate students to support. To date 304 Work Experience Placements have been provided for residents and school and college students (including T-Level placements). Ways in which this has been achieved include:

    - Virtual Work Experience - during the pandemic, as a result of the many restrictions, the project adapted by delivering virtual work experience sessions to school aged students. Each working group member (employer) contributed to the sessions by hosting the students virtually, providing them with real-world work-related tasks and insight into their area of professionalism and expertise.
    - Work Placements – OTH employers engaged with North Ridge which is a special educational needs & disability school to deliver tailored work experience activities to students. This provided SEND students with the opportunity to experience industry specific challenges through STEM (science, technology, engineering and mathematics) activities, as well as engaging in 'work readiness' activities that were fully aligned to the five 'Skills for Life.'
    - Level 3 Architectural, Construction, Engineering (ACE) Scholarship placements with the Manchester College, creating a pathway to higher level apprenticeships on the project.

- STEM Podcasts Channel – OTH in collaboration with The Manchester STEM Hub continues to deliver podcast episodes that provide residents with insight into industry skills and routes into careers within heritage trades.

3.7 Additional social value and local benefit will continue to be delivered through works remaining to be procured, as well as through the continued work with all employers across the project.

3.8 See appendix 1 to this paper for case studies demonstrating some of the ways our social value legacy is making a difference in our city.

4.0 Update on the challenges which have emerged since Notice to Proceed (NTP)

4.1 Our Town Hall is the largest heritage project on a Grade 1 listed building in living memory and will be surpassed in scale and complexity only by the Palace of Westminster. Lengthy pre-construction periods are typical of heritage projects to allow for the detailed investigative survey work necessary to understand the nature of the original building construction and the condition of the building. This, and the specialist nature of the many artisan trades for which there is no precedent cost data on which to base the budget for those trades, has made it difficult to accurately predict costs and inflation. This is particularly the case since the project has spanned more than one economic cycle.

4.2 At Resource and Governance Scrutiny Committee in October 2022, it was noted that whilst still reporting to budget and programme, the OTH project had faced an extremely challenging 18-month period with intense pressures on cost and programme. These challenges included significant disruptions from ‘uncontrollable’ elements such as nesting falcons, Covid-19, extraordinary levels of inflation and unprecedented pressure on the supply chain (labour and materials availability). When added to the project-specific challenges of design complexity, market appetite and discovery, these contributed to a situation in which there had not been a single month since Notice to Proceed (NTP) in which the project had been in ‘steady state.’

4.3 The project team continues to work hard to deliver within budget and in a stable economic environment it is highly likely that the project could have been delivered within budget. However, the project will be delayed due to the combination of the external factors and the extent of discovery uncovered. The biggest risk to the budget is now the cost of delay. For every month of delay, the project incurs additional costs of circa £1m to £1.5m, depending on the point in the programme at which the delay occurs.

4.4 At the same time, the hyper-inflation experienced by the project in the post-Pandemic period has been significant and remains a risk to all packages yet to be procured, and to those packages that are subject to changes arising from discovery.

4.5 Project procurement is 95% complete as at the end of April 2023, of which 89% has progressed to contract, with 6% in the process of final review or contract execution. This 6% in progress includes £5m of heritage joinery, £3m of new joinery and £1.2m of security screen installations.

4.6 The residual 5% of procurement is made up of 13 packages at an NTP value of £17m. There are two packages that make up 47% of the remaining procurement risk, specialist decoration, and decorations. These high value packages are all planned to be procured by end July 2023. The remainder of procurement will be bought progressively to the end of 2023.

4.7 There is an improving level of confidence that the residual procurement risk (value still to buy) is less than £10m for the period beyond July 2023.

4.8 The main known risks to the programme are the impact of discovery, closing out of the remaining design works and the completion of work package procurement. In order to ensure that design works can be completed there are now 25 Full Time Equivalent design personnel engaged by the architect on the project (March 23), an increase of 16 on the number that the architect originally planned for at construction stage to manage the design risks.

4.9 Further discovery will remain a risk until all unexposed workfaces are opened up for inspection. The delays that have been experienced with the works at roof level over the last 6 months (chimneys, guttering, rainwater pipes, asbestos, high level stone validation, rotten timber) are likely to remain a risk until the last section of roof has been closed up. Limitations on the sourcing of cast iron is a real challenge for the guttering and rainwater systems. These works are planned to have been fully exposed by November 2023. Similarly, the last of the Builder’s Works penetrations and certification of fire protected elements, will remain a risk until December 2023.

4.10 It is therefore difficult to give any degree of confidence on the final cost and programme dates until these higher risk works are completed. Given the risks outlined above, it is proposed to split the request for additional funding into two parts: part one will be additional funding sufficient to cover all financial commitments to the end of 2023. This funding request is set out in this report. Part two will be in January 2024, by which time the project will have much better surety on the risks.

5.0 Current Financial Position

5.1 At NTP the total construction budget, including fees and client-side costs was £305.17m. The budget contained £49.2m of project contingencies, split between construction (£21.2m), gap (£8.7m), inflation (£15.1m) and MCC Contingency (£4.1m).

5.2 As outlined in section 4 above the pressures on the project, and hence the calls against contingencies, have been significant. The main issues are outlined below:

5.2.1 Covid-19 and nesting falcons have added almost £5m to the project by July 2023 due to the resultant impact on productivity. There are also hidden costs through inflated tender prices and market appetite which will have further elevated the true cost of Covid-19. The project has secured £668k from the Covid-19 Recovery Fund which will be added to the project budget as part of the approvals in this report.

5.2.2 The impact of the hardening of the market, driven by the impact of Covid-19 and Brexit, rising costs and supply chain challenges has been clearly seen in the number of Works Package Contractors that declined to tender, or excessively high tender returns. It has been difficult to find contractors with both the heritage skills and the capacity to take on a project of this scale. Despite rigorous procurement and cost control processes, to the end of 2022, the value of procured Works Packages is running £22m in excess of budget provision.

5.2.3 The historic nature of the building means that significant levels of discovery on site continue to interrupt the flow of routine design release as staff are diverted to address the changes to design required due to the discovery issues. Examples include the installation of the lifts within parts of the building which proved to be out of true (or wonky), huge variations in the design of ducting, voids and flues and significant issues with the stonework, timbers and cast-iron works in the roof. It is estimated the impact is in the region of £7m.

5.2.4 There have been cost increases on a number of Works Packages that were subject to post-contract scope validation. These are packages, such as the external stone repairs, for which the final scope was dependent on access from the scaffold and opening-up by the works package contractor. To March 2023, this has accounted for an additional £3.2m of cost.

5.2.5 The impact of inflation has been significant. At NTP the allowance for inflation was circa £15m. It was reported to Resource and Governance Scrutiny Committee in October 2022 that in the period between NTP and June 2022, material prices had increased by 44.1%. The Quantity Surveyor has assessed the impact of inflation on all categories of change across the project from NTP to July 2025 at £36m.

5.3 The project team has worked hard to deliver within budget. The project has been extensively seeking opportunities to reduce pressure on cost, including value engineering, and has delivered £10.241m to date, but at this stage in the project the scope for value engineering has now ended. In addition, the percentage of changes that are due to client scope changes is only 2.74% which is remarkable for a project of this duration and nature. It is highly likely that in a stable economic environment, the project would have delivered within budget. However, for the reasons described above, the project will require additional funding.

5.4 The current position is that the NTP contingency allowances of £13m are forecast to be committed by end August 2023, although committed spend will still be within the NTP budget envelope. Additional funding of £29m is required to maintain progress with the construction works to end December 2023 (part-one funding). This report is therefore seeking approval to increase the budget by that amount to complete this phase of work.

5.5 By this time the extent of the main discovery risks will be known and there will be much greater certainty about cost and timescales. The budget risks at this point will largely be influenced by the programme and the planned completion dates for the work. A request for further funding will be made in January 2024 (part-two funding).

6.0 Current programme position

6.1 Projecting the impact of Covid-19 and discovery with no mitigation would add 24 months to the programme. However, the team is working hard to mitigate this delay and deliver the project as early as is practical. To that end, Lendlease led the wider professional team through a process of risk assessment which comprised challenging of project activity durations and a review of levels of uncertainty.

6.2 The remaining programme risks are largely associated with discovery (particularly in the roof), ensuring fire compliance, MEP services distribution, works contractor performance and stone validation. There is a potential these could further impact on design co-ordination as well as cost and programme. Risks are tracked and reported at monthly progress meetings. These risks are largely associated with the current peak activity period of construction through to December 2023, after which there will be greater surety of cost and programme. For these reasons it is not proposed to confirm the programme end date until January 2024 when the position will be much clearer.

7.0 Summary and Next Steps

7.1 It is clear that, were it not for the extraordinary and unpredictable challenges outlined in this report, it is likely that the contingency budgets would have been sufficient to fund the majority of discovery and associated delays.

7.2 At this stage, the project is seeking additional funding of £29m to fund the works until the end of December. There is a risk that completion will be significantly delayed and post December the biggest remaining cost pressure on the project is linked to programme delay. The position will be much clearer in January 2024, and it is therefore proposed to review the position on target dates for completion and cost and further budget approvals will also be sought at that stage.

Appendix 1 - OTH delivering for Manchester

Case Study 1 - PlanBee

Since the launch of PlanBEE in 2021 the project has supported 2 cohorts and with a 3rd cohort due to commence in September 23. The success of the scheme has seen employees from other major construction projects in the city join the scheme, securing its long-term sustainability and creating more opportunities for residents.

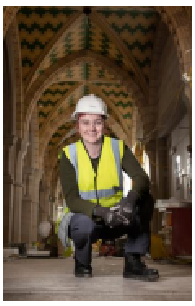
The 2022 PlanBEE Apprenticeship scheme cohort on their first visit to the Our Town Hall Project

Case Study 2 - Tracey Cartledge

Since joining the project Tracey has been a great advocate for Social Value rising to the challenges of maximising opportunities by creating bespoke apprenticeships in a construction niche role.

Tracey Cartledge

Social Value Lead - Mosaic Restoration Company



I joined the project in June 2022 to work with the Mosaic Restoration Company on the restoration of the many marble mosaic corridors in Our Town Hall, as well as the Jesse Rust glass mosaic ceiling in the main Albert Square entrance hall. Part of my role also is to ensure that – as a team – we achieve our social value targets.

Taking up the role of Social Value Lead has been a great way to facilitate training and education opportunities for the people of Manchester within our remit as well as being a chance for me to learn more about social value and improve my own skills and knowledge. Mosaic restoration is a particularly niche area of construction but, despite the challenges, we were able to create bespoke apprenticeships for local people to benefit from and that has been both rewarding and encouraging for the future of the craft.

Case Study 3 - Abdul Tahir

Since joining the project Abdul has progressed from apprentice, through Technician and is now a Project Manager with Mace, a part of the team helping to deliver the OTH project. In addition to his project management duties, Abdul strives to set an example and help to mentor the other apprentices joining the project in his wake.

Abdul Tahir
Degree Level Apprentice Project Manager, Mace

In 2019, Abdul won the Greater Manchester Chamber of Commerce Apprentice of the year. Following this and the completion of his level 4 apprenticeship at Mace, Abdul remained on the Our Town Hall project whilst studying a degree level apprenticeship.

Still employed by Mace, in position as a degree level Assistant Project Manager, Abdul has been coordinating the efforts of the design team in streamlining the social value processes of all project consultants. Further to this Abdul has been collaborating with multiple employers on the project to deliver activity in Manchester schools, including careers fairs and STEM sessions.

"Due to the scope of social value on this project, it provided me with an opportunity to start the practical element of my apprenticeship whilst ensuring I complete my degree on the side.
To start my career on such a prestigious project was not an easy task, but the strong foundation it has built for me is unparalleled. I was also provided with the opportunity of creating a large network due to the rotation programme I had in my first 2 years. The level 4 apprenticeship programme helped me decide the career path I wanted to follow, as did the advice from professional colleagues who were always a call away.

Case Study 4 - MSA Live

The Project has supported Manchester School of Architecture’s Annual programme of student-led live projects.

Case Study 5 - Our Town Hall Podcasts

The launch of the Our Town Hall Manchester Careers Podcast has helped broaden the opportunities for under-represented groups in STEM careers pathways. In June 23 a special edition podcast was created to support GM Good Employment Week, the podcast was hugely popular with over 3,000 views.

[Link to podcast here]

Case Study 6 – Artisan Studio and Heritage Lectures

The OTH Artisan Studio and Heritage Lectures aim to shine a light for the people of Manchester on some of the painstaking artisan work going on behind the scenes. Both have proven extremely popular and each of the lectures held to date (which are ticketed events) has been over-subscribed.

The Artisan Studio on Albert Square is a window into OTH and the artisan trades that play such an important role in the project. It is intended to inform and inspire. It is a space where artisan craftspeople take turns to demonstrate their work in a viewable and accessible setting, with presentation both by the artisans themselves and the specialist consultants also working on the project. A live commentary is provided and questions are encouraged, including about routes into these specialist craft skills. Demonstrations to date have included stone carving, mosaic cutting and setting and specialist plaster moulding.

Heritage Lectures featured to date include paintings conservation, the restoration of more than 4,000m2 of mosaics and the works which are currently underway to the Town Hall clock and carillon.

Artisan Studio Demonstrations take place on Wednesdays at 12.30pm-1.30pm and Heritage Lectures are free ticketed events held in Central Library.

Manchester City Council
Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 20 July 2023
Executive – 26 July 2023

Subject: Factory International at Aviva Studios

Report of: Deputy Chief Executive and City Treasurer
Strategic Director, Development

Summary

The purpose of this report is to update on the delivery of Aviva Studios including progress with the construction programme; the evolution of Factory International; the success of the recent MIF23 festival; and the conclusion of the naming rights agreement with Aviva for Aviva Studios.

Recommendations

The Resources and Governance Scrutiny Committee is recommended to:

1. Note and comment on the report and endorse the recommendations being made to the Executive.

The Executive is recommended to:

1. Note progress with the delivery of Aviva Studios, home to Factory International, the wider economic, cultural and social benefits to Manchester and the significant programme of social value commitments.

2. Approve a capital budget increase for Aviva Studios of £8.7m to be funded from:
   £620k increased grant from ACE
   £7.3m on an invest to save basis to be funded from naming rights income
   £782k to reverse the temporary virement for public realm costs

3. Note the capital budget increase of £8.7m will be used to fund the cashflow requirements to static completion for construction and client-side fees and £600k support to cover the additional costs experienced by Factory International.

4. To approve a capital budget increase of £1.1m to be funded from capital receipts, to meet the final costs of the public realm.

5. Note the progress made by Factory International to prepare the organisation to operate Aviva Studios including recruitment, business planning, the sponsorship programme, artistic and cultural programme development and social value

benefits, in the lead up to and successful delivery of MIF23, and the formal opening in the autumn.

6. Note the naming rights agreement with Aviva for Aviva Studios

7. Note progress in the development of employment, training and education opportunities and creative engagement programmes as part of Factory International's skills and learning development programme.

Wards Affected: Deansgate

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A Thriving and Sustainable City	By supporting a diverse and distinctive economy and attracting clusters of related creative industry activities, Factory International will creates jobs and opportunities, accelerate economic growth in the region and play an integral part in helping Manchester and the North enhance and diversify its cultural infrastructure and the visitor economy. The Council will develop a Creative Enterprise district proposal (through the Greater Manchester Trailblazer/ Investment Zone) to support and incentivize creative SME co-location and maximise training and educational opportunities in the area. The first phase of Enterprise City includes the Goods Yard, ABC Building, Globe Building, Transmission, together with the creation of a Tech Hub in the Bonded Warehouse. Enterprise City is an integral element of St. John's, creating a new cluster of innovative city centre workspaces that support the growth of the City's economy. A Levelling Up grant of £17.5m has been awarded and work has started on the refurbishment of the listed Upper and Lower Campfield Markets buildings as an extension of the Bonded Warehouse Exchange Tech Hub.
A highly skilled city	Through world class and home-grown talent sustaining the city's economic success, The Factory will make a direct contribution to the growth of creative industries, improve talent retention in the North, and reduce the dependency on London as the provider of creative industries training and employment. New direct jobs of 168 FTE staff and 176 FTE venue

	and performance related jobs (344 FTEs in total) will work within the venue each year. Furthermore, Factory will support a clustering impact resulting from the venue accelerating the city's role as a centre for creativity, attracting both producers and specialist supply chain companies keen to locate in the local economy. After year 10, Factory International is expected to support over 1,500 FTE jobs because of these clustering effects driven by Factory, and up to £1.1bn will be added to Manchester's economy. Factory International has levered £106.7m new Exchequer investment into Manchester. Factory International is leading on a consortium approach to training and skills, developing partnerships with the city's Cultural, Further and Higher Education (FE/HE) Institutions and will further support the city's drive for high calibre graduate talent retention through job creation programmes. It will act as a UK leader in the creative sector/FE/HE led training to expand access for Manchester's young people into creative jobs.
A progressive and equitable city	Making a positive contribution by unlocking the potential of our communities, Factory International and wider St. John's development will create a vibrant new neighbourhood based around the former ITV: Granada Studios site. The intention is to encourage independent, niche, and creative uses and businesses with new office, cultural, workspace and leisure development with residential units. The presence of Factory International as a 'cultural anchor' has already had a catalytic effect in terms of reimagining the creative redevelopment of the Science and Industry Museum site and the Upper and Lower Campfield Markets as a creative district. The Factory will build new diverse younger audiences from within Manchester and beyond, combined with expanded, more mature established arts audiences.
A liveable and low carbon city	As a destination of choice to live, visit and work, The Factory will benefit from excellent public transport connectivity, ensuring the site can be easily accessed by visitors. In a non-festival year, The Factory will attract 850,000 visitors per annum with 650,000 drawn from within the

	Greater Manchester area. In a festival year the total will increase to over 1 m visitors as additional audiences of 300,000 will attend performances across the city. Around 800,000 will be drawn from the Greater Manchester area and 350,000 visitors from elsewhere. Sustainable design and development principles are embedded into the scheme. The benefits of cultural investment are much broader than the direct impact of expenditure by visitors, with cultural activities making an important contribution to community engagement and initiatives targeted at young people, older people, under-represented and disadvantaged groups.
A connected city	Through world class infrastructure and connectivity to drive growth, The Factory will benefit from strong public transport links with access to both rail and Metrolink stations and a choice of multi-storey car parks for visitors. The development will be well served by new pedestrian walkways and cycle routes. This will include the recently opened replacement Prince's Bridge scheme, improved pedestrian connectivity as part of the Enterprise City developments, and proposals by the Science and Industry Museum, which will provide residents with improved linkages to surrounding neighbourhoods and city centre districts. New public spaces and connections are proposed, which will significantly improve the environment of this part of the city centre.

Financial Consequences - Revenue

The additional regeneration of the wider St John's area, of which Factory International at Aviva Studios is a key anchor, generating an additional £1.295m in business rates in 2022/23 which is projected to increase as further developments are delivered and is contributing directly to the Council's revenue budget.

The key points from the naming rights agreement are set out in the Part B report. This will be used to contribute to the financing of the construction project. The £2.4m philanthropic income raised to date will also be used to fund the construction project. It is estimated that over the life of the lease the MCC share of naming rights and other building sponsorships income will be over £80m that will be used to repay borrowing incurred to build the asset.

Financial Consequences – Capital

The recommendations in this report are to secure the completion of Aviva Studios and the longer-term success of Factory International. The report outlines the significant direct, economic, cultural, and social value benefits that are being secured.

The project is being delivered via a Management Contracting approach and the works have been constructed by a number of different works package contractors. As previously reported, this means that the total cost surety will be reached at practical completion.

In order to secure the cashflow to static completion (the completion of the building but not all the final commissioning works) for construction costs and client-side fees this report requests a capital budget increase of £8.7m:

- £7.2m funded from borrowing on an invest to save basis. This will be met from naming rights and sponsorship income as set out in the report.

- Additional funding of £620k has been secured from Arts Council England (ACE) and this will be added to the budget for the capital works and the consequential additional operating costs incurred by Factory International during MIF23 due to the fact the commissioning works are still ongoing.

- Reversal of the £782k virement from Factory International Contingency to the Public Realm project on the basis the funding is no longer available to make the virement.

Overall, this will provide funding whilst the works, final accounts and exceptional items are being finalised.

The report also requests a capital budget increase of £1.1m to be funded from capital receipts, to meet the costs of completing the public realm.

A report will be coming back to September Scrutiny committee that sets out the final costs until practical completion. This will include the final costs for the commissioning works and final accounts. A number of these items are subject to commercially sensitive negotiations and the cost consultants are tracking all the costs and ensuring the Council is taking a robust commercial stance.

Of particular importance is the long-term relationship with Factory International on fundraising, sponsorship and naming rights income. The principles of the naming rights agreement for Aviva Studios are set out in Part B to this report, which will both contribute to the repayment of the MCC capital investment and also secure the longer-term financial viability of Factory International.

The development of the adjacent Riverside site by Select and Allied London will see the repayment of the temporary £4.3m loan due in 2023 in accordance with the terms of the agreement.

Contact Officers:

Name: Pat Bartoli
Position: Director of City Centre Growth and Infrastructure
Telephone: 0161 234 3329
E-mail: pat.bartoli@manchester.gov.uk

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 07717 54578
E-mail: carol.culley@manchester.gov.uk

Name: Jared Allen
Position: Director of Capital Programmes, Corporate Estate and Facilities
Telephone: 0161 234 5683
E-mail: jared.allen@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Telephone: 07714 769347
E-mail: tom.wilkinson@manchester.gov.uk

Name: Dave Carty
Position: Development Manager
Telephone: 0161 234 5908
E-mail: d.carty@manchester.gov.uk

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.

The Factory

- Report to The Executive 29 July 2015 – The Factory Manchester
- Factory Manchester Project Overview 31st May 2016
- Report to The Executive 26 July 2016 – Updated Draft St. John's Strategic Regeneration Framework and Factory Manchester
- Report to The Executive 11 January 2017 – Updated Draft St. John's Strategic Regeneration Framework and Factory Manchester
- Report to The Executive 26 July 2017 – Factory Manchester

- Report to The Executive 21 March 2018 – St. John's Proposals including Factory Manchester
- Report to The Executive 30 May 2018 – Capital Programme – Proposed Increases
- Report to The Resources and Governance Scrutiny Committee 8 November and to The Executive 14 November 2018 - The Factory
- Report to The Resources and Governance Scrutiny Committee 20th July 2021 – The Factory, St. John's – Delivery Update

St John's

- Draft Quay Street and Water Street Development Framework February 2012
- Report to the Executive 14 March 2012 – ITV/Quay Street Regeneration Framework
- Report to the Executive 29 October 2014 – ITV/Quay Street Regeneration Framework
- Draft St Johns, Manchester Strategic Regeneration Framework October 2014
- Report to The Executive 13 February 2015 – ITV/Quay Street (St. John's) Regeneration Framework Consultation
- St Johns Strategic Regeneration Framework February 2015
- St. John's Strategic Regeneration Framework Update November 2016

1.0 Introduction

1.1 Aviva Studios, home to Factory International, is nearing completion and there is considerable excitement about the venue. The recent launch has further boosted Factory International's profile, with an exciting programme of planned events, building on the international festival in 2021, and placing Factory International firmly on the international cultural map, at the heart of the St John's regeneration area. The city is already seeing the direct benefits from St John's, with Enterprise City and the cultural activities provided by the studios playing a major part in the area's economic and cultural evolution.

1.2 This report provides an update on progress with delivering Aviva Studios, including the capital cost of the building, social value benefits and the role of Factory International. The report also provides an update on delivering the St John's regeneration area.

1.3 Factory International has levered £106.7m of new national public funding into Manchester made up of £78.05m HM Treasury investment, and £7m Arts Lottery, £21m Kickstart Capital from the Cultural Recovery Fund and £620k additional ACE grant funding. All these funds are administered by Arts Council England and is funding that would not have otherwise been available for the cultural sector or the region.

1.4 The creative industries are the fastest growing sector in Manchester and the creation of Aviva Studios, home to Factory International, will sustain and grow this vital sector even further. Factory International is visibly strengthening Manchester's reputation as a nationally and internationally important centre for culture and creativity – building on a reputation which has seen it recognised as the second largest creative city in Europe after London.

1.5 Time Out reported that "the building is deliciously spacious, capacious even … it puts a futuristic spin on Manchester's manufacturing past." The Guardian describes the Yayoi Kusama opening arts exhibition as "a psychedelic pop-art garden of earthly delights" in a five-star review.

1.6 Up to £1.1bn will be added to Manchester's economy after 10 years of operation, capturing the benefits associated with direct employment and visitor spending, productivity, dynamic clustering, social value, and amenity value.

2.0 The St John's Quarter

2.1 Aviva Studios, home to Factory International is at the heart of Enterprise City in the St. John's area and revives the site of the former Granada TV Studios, making a major contribution to the regeneration of this part of the city. The economic benefits of Factory International are broadly measured in three categories

- audience/visitor economy,
- Clustering, and
- direct employment.

2.2 Visitors in a non-festival year are anticipated to be on average 850,000 per year, with 650,000 drawn from within the Greater Manchester area and 200,000 visitors from elsewhere. In a festival year, the total will increase to over 1 m visitors as additional audiences of 300,000 will attend events across the city. Around 800,000 visitors are expected from the Greater Manchester area and 350,000 from elsewhere. After year 10, Factory International is expected to support over 1,500 FTE jobs because of these clustering effects, and up to £1.1bn will be added to Manchester's economy. MIF23 has been a huge success with Aviva Studios already becoming a destination and achievement of box office targets in record time. The events have been attracting 4 and 5 star reviews in many places along with praise for the building. A full evaluation of will be brought to Economy Scrutiny as in previous years.

2.3 The benefits are already beginning to ripple out. When Manchester was named in global travel authority Lonely Planet's top 30 must-visit destinations in the world for 2023 (the only UK city to be recognised) the venue was cited as one of the reasons why Manchester is "a city to experience, not just to visit." Factory International was also referenced as one of the reasons when Time Out magazine named Manchester in its Best In Travel list for 2023, the only UK city in the top 10. In a separate list, Time Out also named visiting the "blockbuster arts venue" as one of its 23 Best Things In the World To Do in 2023.

2.4 Factory International has already been the catalyst for a major cultural and creative investment. Enterprise City is a major new mixed-use development of commercial, leisure residential and cultural space, a significant new cluster of innovative city centre workspaces and content production studios. Enterprise City has the potential to accommodate some 17,000 jobs in businesses from new start-ups to corporates. At its heart will be the cultural campus created with the combined attractions of Factory International (850,000 visitors per annum) and the Science and Industry Museum (500,000 visitors) being physically linked together. The wider St. John's area including Enterprise City will attract over 32,000 visitors a day to its workspaces, new homes, food and beverage offers, hotels and other leisure offers.

2.5 Allied London's long-term partnership with Aviva Investors to fund Enterprise City is valued at more than £500m. Dentsu a multinational media and digital marketing company, is the latest tenant taking 15,500 sq ft in the Bonded warehouse. Following the development of the ABC Building, Transmission, Manchester Goods Yard, and the Globe Building the tenants now include global tech company Booking.com (won in competition with other major European Cities) Cloud Imperium Games, The Farm, WPP, and Peak AI. The Allied London Versa film studios campus continues to flourish.

2.6 The Bonded Warehouse is home to the Exchange Tech Hub funded by DCMS and work has now commenced on the £17.5m Levelling Up expansion of the Exchange Tech Hub to create an additional 4,000 jobs in the listed Upper and Lower Campfield Market buildings on Liverpool Road. The wider St. John's will also provide a further 1,000 jobs in retail, leisure and hotel developments together with new homes and public realm in this new city centre neighbourhood.

2.7 Towers 1 and 2, the two co-living residential buildings now under construction on Water Street will provide 765 apartments and a total of 1,676 bedspaces and over 21,500 sq feet of co-working space with each tower containing two, three or four bedroomed co-living apartments and 131 affordable tenures. Towers 1 and 2 will also have 180 studio apartments available on short term lets. Tower 1 will be completed in January 2024 and Tower 2 in April 2025.

2.8 Aviva Studios itself provides a world-class performance space and a permanent home for Factory International in an all-year-round venue with a rich blend of ticketed and free events inside the building and the surrounding public spaces. At 143,000 square feet, there is no other venue that can deliver the scale and ambition of production possibilities in the UK, and this nationally significant facility will fill a major gap in the city-wide cultural strategy. It has attracted significant government investment, almost unique outside of London and the Southeast and has been designed by one of the world's leading architects, Office for Metropolitan Architecture (OMA). It is their first major public building in the UK, enhancing Manchester as a destination for world class architecture.

2.9 The development of the adjacent Riverside site by Select and Allied London will see the repayment of the sums due and owing from the temporary £4.3m loan by August 2023.

2.10 The creative industries are the fastest growing sector in Manchester, making an annual contribution to the city's economy of around £1.4bn. Since 2018 the growth in business rates generated within the St Johns area totals £327k which will grow to £830k in 2022/23. Under the 100% business rates growth retention pilot the additional income has been retained in Manchester and is supporting the Council's revenue budget. Discussions with Government continue as part of the announced devolution acceleration negotiations.

3.0 Work and Skills and Social Value

3.1 *Factory International*

3.1.1 Central to the vision is a focus on providing training and skills for future generations of creative talent through The Factory Academy (TFA). TFA was launched by Factory International in 2018, in partnership with a consortium of cultural organisations in the city. Factory International has led on the development of the Greater Manchester Cultural Skills and Training Consortium - a group of 25 employers working collaboratively across the cultural sector on programmes such as Traineeships and Apprenticeships. This has supported the appointment of a cohort of apprentices in technical theatre across Greater Manchester organisations and Factory International has ensured the continuation of these apprenticeships through lockdown.

3.1.2 Previously Factory Academy has:

- Engaged 250+ students through course delivery, The Factory Academy Presents and Managing Creative Projects: Next Level
- Engaged 500+ students with The Factory Academy courses since its inception in October 2018
- Filled 40+ roles at Factory International with TFA alumni (comprised of internships, traineeships, apprenticeships, Kickstart roles, FOH, freelance, fixed term roles and performing)

As a result:

- 50% of Kickstart eligible students who studied with TFA went into Kickstart roles
- 65% of Factory Academy Participants, who provided diversity and inclusion data, report a characteristic which is under-represented and/or being from a low socio-economic background Employment and Further Study
- To date at least 60% of all Factory Academy Alumni are employed or have moved onto higher education.

3.1.3 Factory Futures was launched in Oct 2022, which targeted 10,000 young people reached over a five-year period with support in accessing careers in the creative industries. Opportunities range from open days to full apprenticeships. The programme responded directly to the impact of the COVID-19 pandemic on youth unemployment aligning with the Government's Kickstart scheme. It includes a five-year pre-employment training programme for 1,400 young people, who are unemployed or on Universal Credit. Factory Futures 15 is a 15-day Academy linked to an opportunity with DNG Production and Events crew company. The course is aimed at helping people in Manchester to access employment in the city's live events industry.

3.1.4 Recent activity includes:

Creative Engagement is the community engine of Factory International. In the first month of the financial year, over 32 events have been delivered across community centres, schools and partner cultural centres focusing specifically on young people with mental health issues, babies and their families, young Black creatives and residents in Wythenshawe, Ardwick and Blackley. Just under 500 people have engaged with this activity which prioritises residents who are under-represented, excluded or the most vulnerable within our city.

Over the next year, FI will continue to develop a wide range of activity to help build engagement, confidence, opportunity, resilience and trust across a number of priority wards across the city. They will do this through building **connections, sharing agency, developing skills** and **creating pathways** for residents to have multiple engagements across the city.

The **Creative Learning** programmes will be engaging with 50 schools and 2000 young people over the next year through a range of multiple programmes including Kusama school visits and Fashion Show, a new Factory International Schools Partnership programme (prioritising schools with high percentages of Free School Meals/Pupil Premium) and a new collaboration with seven schools on a national Reframe Inspire programme supporting black and ethnically diverse young people to explore climate change. We will also be developing a new drop in space for young people at Factory International.

The **community programmes** will focus on developing strong connections from FI's pioneering Neighbourhood Organiser programme, our Community Partnerships in Ardwick, Blackley and Wythenshawe, commission linked activity for Free Your Mind, Balmy Army and We Cut Through Dust collaboration with Manchester Street Poem. We aim to engage with 5000 beneficiaries over the 23/24 across all of the programmes of work.

Development of artists based in Manchester is a key USP of Factory International. From profiling and exporting their work internationally (Under the Radar NYC), to creating the most transformative opportunities here in the city, FI are building on Manchester's growth as one of the world's best cities for artists to live and work in. Current programmes for 23/24 include Factory International Fellows, Factory Sounds, the regular artist Social networking events, Artist Takeovers at Factory International and Reframe a pioneering national programme for Black creatives supported by Apple. FI aim to impact on the skills of 200 artists across Greater Manchester over the next year.

Creating greater agency, co-design and opportunities for public engagement is a founding principle for Factory International. One of the key events in the opening year will be the Welcome, a series of events created and programmed by the residents of Greater Manchester. Our early years programme will be co-designed by the parents of babies who took part in 'First Breath', 70 of whom met up for their first post birth social this month. And last but not least the committed Public Forums represented on FI's Board of Trustees, who volunteer time to make sure they are the best version of themselves and accountable for everything they do. 500 members of the public in 23/24 will be directly involved in decision making over the next year.

3.1.5 Specific programmes also include:

This year FI have continued to work at pace with 4 courses running, recruitment for 10 internships and launching of additional new courses. Throughout the period, 10 Interns started their roles including volunteering, commercial and skills & training.

Future Cultural Leaders

In June, 15 students completed 6 weeks of shadowing across 8 greater Manchester cultural organisations including Peoples History Museum, The Royal Exchange, Walk the Plank, Factory International, Manchester Museum, Whitworth art gallery, John Rylands, HOME, with all 15 achieving roles at MIF23 as Front of House.

Intro To Producing

Intro To Producing had its final day on 30th June and the students finished on a high at Festival Square after a series of remarkably passionate and well-prepared presentations to employers. During June they also had opportunities to see ‘No Pay No Way’ at Royal Exchange, the Technical Rehearsal for ‘UFMSP’ and the rehearsal event for ‘R.O.S.E.’ They also attended the Aviva Studios testing event, the soft launch of Festival Square and early risers who volunteered for a test coin drop on ‘The Find’ were rewarded with a visit from Ryan Gander and a full set of coins!

On 4th of July seven students from the cohort of seventeen will go through to 2nd stage interviews with both Factory International and a representative from Rochdale. We have been working with Power Up to secure a shared apprenticeship model in Rochdale for one of the cohorts and as a result Rochdale Development Agency and Breaking Barriers are going to offer a shared apprenticeship to one of the cohorts also. A third creative employer is currently being matched and interviews for this position will take place in July.

Future 15: Facilitators

Future 15: Facilitators will recruit 2 facilitators for fixed term roles in Creative Learning. To date it’s been a mixture of developing personal development and skills content with more practical specific skill-based guest speaker sessions. Students have been joined by Thrive Manchester to offer Trauma Informed practice skills, Odd Arts for Anti Racist practice, Amber Calland for Play and Joyful practice. In July they will be joined by Speakers Trust for Public Speaking training. Students are also working on presenting ideas for participatory works that respond to Kusama and Free your Mind.

Broadcast & Film Production

Factory Academy's latest broadcast and film cohort are into their final 3 weeks of training. Having benefited from masterclasses from Pulse Films, Toasted Productions and Q+As from a host of industry insiders and experts including Factory International's very own Nina Franklin as well as an invitation to the Manchester Short Film Festival and Networking Event and a screening and panel discussion, with more networking opportunities courtesy of Polari. The students are busy putting their finishing touches to their presentations and showreels and prepare to respond to a live brief of creating a short trailer, for which focuses on Factory Academy. The team who are judged to have created the most exciting piece of short form content will secure the opportunity to work alongside Vision in Colour at their next commercial shoot.

Upcoming Activity

FI have recruited the final Future 15 of the academy year. The course started on **Monday 10th July** and has been developed to recruit a Cultural Learning and Participation Officer for and 18-month apprenticeship with Creative learning.

FI will go live with recruitment for a new, part-time version of managing Creative Projects that will be delivered in a more flexible model, after feedback from potential students who could not commit to 5 days a week alongside their creative practice. The course will start with an enrolment and brief setting day on **Friday 28th July**.

3.2 *The Construction Project*

3.2.1 The original Social Value Plan for the construction project was collaboratively developed by Laing O'Rourke (LOR) in consultation with Manchester City Council and Factory International in 2017, during the pre-contract stages of the project and embedded into the construction contract.

3.2.2 The plan outlined key priority themes and social value key performance indicators for Manchester City Council, which were to be achieved throughout the construction programme.

3.2.3 Target areas within the plan were a combination of the (NWCH) North West Construction Hub KPI metrics aligned to project value and client priorities for the city at the time, such as educational engagement, apprenticeships, employability support, community engagement and homelessness support for Manchester residents.

3.2.4 Delivery of the social value plan continued throughout the height of COVID 19, with LOR, working with MCC and MIF during this period, to adapt our delivery methods in new ways to continue engaging communities with the project through lockdown and respond to issues coming out of the pandemic.

3.2.5 In June 2021, MCC proposed realigning The Factory's Social Value KPIs to support the economic recovery of the city post pandemic. It was agreed elements of the original KPIs set out within the contract's Social Value Plan would be closed out (such as community activities and educational engagement) and redirected to focus on employment and skills support for Manchester residents.

3.2.6 The realigned target/ambition was to create new jobs, new apprenticeships and Kickstart placements for Manchester residents first. Delivery has been targeted toward these new priorities for the period from June 2021 to October 2022.

3.2.7 Over a five-year period, the delivery of the project's Social Value plan has brought numerous distinct social value initiatives to life that have given Manchester and Greater Manchester resident's opportunities to develop skills, gain employment and engage with Factory International before it opens its doors.

3.2.8 Dedicated work and skills officer time has been provided to work with LOR and Factory International to drive and support employment and skills related social value activities. This involves the design team, the contractor, work package contractors and the Factory International working together to deliver a package of social value benefits which will continue to be delivered after the opening of The Factory. The collaborative working on social value across all phases of a project is unique and provides an opportunity to ensure outcomes are maximised to benefit Manchester residents.

3.2.9 Progress against key project original and realigned KPIs is noted below:

- 86% of construction spend was within Greater Manchester (GM) against a target of 50%. Due to the highly specialist and unique nature of the works the supply chain base and capability to deliver these works is not present in Manchester and a GM target was applied.
- 56% GM Local Labour - 13% Manchester and 43% GM against a GM target of 50%. Given the base of the supply chain is predominantly GM, this limited the existing Manchester-based workforce. However, there was a focus on Manchester residents where jobs were being created.
- 25 New Jobs - 17 Manchester residents and 8 GM residents. New employment opportunities were not a KPI in the original contract until the project social value KPI's were realigned in July 2021. New jobs have been actively promoted through pre-employment programmes and recruitment brokerages identified by Manchester City Council Work and Skills team to target recruitment of Manchester residents as a priority.
- 29 New Apprentices - 12 Manchester residents and 17 GM residents against a GM target of 25.
- 25 Retained Apprentices - 4 Manchester residents, 21 GM residents against a GM target of 25.
- 65 Education Activities - Engaging over 5,000 students and 20 local education establishments in 'STEAM' science, technology, engineering, the arts, and math's and careers activities.

- 56 Work Experience Placements - Including the bespoke Factory work experience programme with Manchester schools and Manchester Adult Education Placements. In 2020, LOR worked with Manchester Adult Education to deliver a week-long work experience on The Factory site for a group of 10 Manchester Adult Education Learners. This provided an insight into the careers, skills and disciplines within construction and employability skills support on CV and interview skills.
- 260 People Provided Employability Support, which included The Factory Kickstart Construction Scheme and learning initiatives with Manchester Adult Education Service.
- 100 Community Activities, including specialist support projects with the Science and Industry Museum, Castlefield Forum, Homelessness initiatives and support to Factory International.

3.2.10 These metrics will continue to be monitored throughout construction and into Factory operations.

3.2.11 The attached case studies at Appendix One are of Manchester postcode residents and highlight their testimonials and journeys into employment on the project.

4.0 Factory International Project Update

4.1 Factory International has attracted significant government investment of £106.7m, alongside £9m per annum of Arts Council England revenue funding to ensure the success of the facility. It should be noted that the original budget was set in 2015, based on benchmark costs, to secure the government funding package. This was prior to any detailed site investigations or design work and proved to be inadequate to fund a project of this size, scale and complexity. Leaving aside the complexities of the project, adjusting for inflation alone during this period using ONS construction indices would have increased the budget by c. £40m.

4.2 *Land Acquisition*

4.2.1 There was a separate budget to acquire the 999-year lease from the Science and Industry Museum and the freehold interests from Manchester Quays Limited. It also included a loan of £5.1m on market terms to secure the Riverside site for Factory International and the construction compound. £800,000 has been repaid in line with the agreement. The balance of £4.3M is due to be paid in August 2023 in line with the agreement and will be used to support the budget for Factory International.

4.3 *Factory International*

4.3.1 As at the last report to RAGOS the approved capital budget is £216.4m as set out in the table below. This includes a virement from the Factory Contingency of £782k to the Public Realm budget.

Factory	**Costs £m**
Pre-construction costs	0.4
Construction	173.6
Professional Fees	27.3
Client Costs	8.7
Total Construction Costs	**210.0**
Public Realm	6.4
Total Factory Budget	**216.4**

Factory	**Funding Approved £m**
HMT, administered by ACE	78.1
ACE Lottery Funding	7
ACE Kickstart	21
MCC Capital	64.6
External Fundraising	24.1
Additional External Fundraising Target	15.2
Total	**210.0**
Public Realm (MCC)	6.4
Total	**216.4**

** Note the above excludes the £7.8m underwritten from external fundraising for the additional fit-out costs incurred by Factory International.*

4.4 *Public Realm*

4.4.1 The £6.4m budget for public realm works in the St Johns Quarter included a virement from the Factory International construction budget of £782k to complete the works, including the undercroft of Factory International, finishes to Water Street within the site boundaries and all works to both River Square which provides the setting for the MIF23 Festival space and City Square, providing an appropriate setting for Aviva Studios. The total project cost is expected to be £6.72m. The funding is no longer available in the contingency to meet these costs and it is proposed that the virement is reversed and the total of the £1.1m additional public realm costs are funded from capital receipts.

4.4.2 The increase in costs from that last reported is as a result from the reprogramming of external works, supply chain delays and diversions and alterations required for utility provider access, all of which led to additional claims for costs.

4.5 *Construction Project – Position at July 2023*

4.5.1 As of July 2023, the building has been sufficiently completed with static completion achieved for operation of MIF23. Since the last update to Committee in October 2022:

- Beneficial occupation for Factory International was enabled for October as planned, the 'First Breath' installation occurred in December 2022 and FI Fit Out achieved in line with programme.
- The final completion of the building or static completion had been scheduled on a phased basis from January to March 2023. Static completion was achieved in June 2023, but this required some additional accelerated measures and alterations to the programme. Final practical completion was planned for July 2023, again with some accelerated works required to achieve this in order to ensure building readiness for the opening of MIF23.
- The aim was to complete the final commissioning for June 2023, which would have required acceleration to the planned commissioning works and better the 20 July 2023 practical completion date. Whilst all the commissioning systems are in place, the delays to achieving static completion have meant that final practical completion is now scheduled for 7 September, with a period of snagging and commissioning required between the July and September dates. The final inner proscenium door between the warehouse and theatre spaces will also need to be installed during this period. The original installation has been delayed due to a dispute with the door manufacturer.

4.5.2 The remaining snagging and commissioning works are scheduled to be completed by 7 September. The building comprises of a number of highly complex systems, such as the fire system, smoke extraction, CCTV and door automations, that need to all be linked, tested and commissioned within the Building Management System (BMS) to allow full integration that allows the multiple configurations and operations required to utilise the building to its maximum operational capability.

4.5.3 This integration is complex and will have to be managed around the ongoing activities of Factory International events over the summer to completion in September 2023. The successful testing and integration timescales will be subject to change as snagging issues are discovered and worked through. To this end, the final timelines and costs will be subject to change and iteration up to practical completion.

4.5.4 Therefore, whilst the physical building has been completed in time for MIF 23, the overall timescales are later than planned and there have been a number of factors which have contributed to the delay. These have included:

- Design challenges and discovery – the complexity of the building has meant that a significant team of 12 detailed design architects have had to be retained throughout this period to be able to react to changes and delays in a managed way. Additional detailed design work has been required to manage the complexity of the building and ensure the latest fire standards were achieved and to deal with changes arising from supply chain challenges.
- Whilst the primary design was complete, the interfaces between subcontractor work packages were subject to delay due to late material delivery, workarounds required to deal with supply chain challenges and delays to products sourced in Europe due to industrial action. These longer lead in times for materials and labour market supply chain pressures, along with the design complexity and a lack of market appetite for specialist products such as acoustic doors, theatre seats and specialist wall linings, have all contributed to the delays in completion. There have been real challenges in securing the required number of skilled professionals in the current market and the shortage of specialist labour also meant that some of the planned acceleration measures could not be achieved.
- Delays due to water damage as a result of inclement weather prior to the building being fully weatherproof.
- Delay to the gas connection due to a realignment of capacity due to works within the St Johns area also contributed to the programme pressure.

4.5.5 The above issues have had a direct impact on the construction budget, most notably:

- Prolongation –The revised timelines for static and practical completion which have impacted on construction packages, client-side resource and management contractor costs. Many of the contractors and client teams have gone beyond their original contracted period thus attracting additional costs and claims.

- Acceleration – in order to ensure the building was ready for MIF23 there has been 24/7 working on site for longer than previously planned which has attracted double-time payable in some areas to achieve the revised dates.
- Inflation - Material and labour price increases and availability within the supply chain, with the impact of hyper-inflation on the procurement and delivery of the final works in terms of material prices and premium rates to secure scarce resources.
- Costs of Additional Work – further work has been required on the secondary steelworks for the proscenium doors, to complete the inner paneling and repair humidity damage, the higher market costs for the theatre finishing and to install all the requirements for heat, power and emergency lighting.
- Risk Items – there remain a number of material risk items that are likely to impact on the final account figures for key work packages such as MEP and the proscenium doors.

4.5.6 The later dates for static completion have also meant that Factory International have incurred additional costs in their preparation for MIF23. These costs have included additional staffing to operate the individual building operation systems during the festival period, extension of rent on existing premises during the summer period and the reduced capacity at the opening shows. The complexities of the capital project and the delays have impacted on the budget in a period of increasing uncertainty. The pressures associated with cost-of-living increases, inflation and changes in market demand post the pandemic have reduced the resilience of Factory International and their ability to absorb the impact of the changes to the building project. By the 7th September opening, Factory International have estimated that the total additional costs could be as high as £1.1m.

4.5.7 ACE with support of the City Council commissioned an independent report, with the first phase reviewing the business plan position in the opening year taking into account the impact of the later static and practical completion dates. This will ensure that the requirement for any additional support is independently verified.

4.5.8 For these reasons it is recommended that £600k is identified to provide additional support to Factory International. This and the final amount to be paid will be subject to the outcomes from the independent report and an open-book analysis of the costs. The additional grant funding received from ACE in recognition of the challenges being faced by the Council and Factory International provides the financial flexibility to provide this additional support.

4.5.9 A report will come back in September with the final account for the project. This will include the details and costs for:

- The completion of the commissioning works scheduled over the Summer period.
- The final accounts for the management contractor costs and work packages.
- The installation of the inner theatre proscenium door.

4.5.10 It is therefore recommended that funding approvals are sought in two stages:

4.5.11 The provision of the additional £8.7m of funding in the period to the end of July will cover the cashflow requirements to static completion for construction and client-side fees and support to cover the additional costs experienced by Factory International.

4.5.12 The final figure will be higher than the £8.7m requested for the reasons outlined above.

4.5.13 The cost consultants are tracking all the costs incurred and are continuing to take a robust commercial stance. It is worth noting the value engineering and strive targets have been exceeded, contributing £2.1m back to the construction budget.

4.5.14 The project team can also demonstrate through commercial management, buildability advice and effective procurement c.£24m of savings have previously been achieved through careful value engineering and included in the previous budget. In December 2022 a further c.£7m of cost mitigation was also delivered whilst maintaining all requisite features of the project, its functionality and quality to enable Factory International to deliver their business plan commitments. Across the life of the project cost betterment worth over £8.4m has been achieved across a wide variety of areas.

4.5.15 The project team successfully achieved cost betterment across a wide range of areas from the external concrete panels to internal fittings worth over £8.4m and savings above the strive targets of over £2.75m in tendering strategies for areas such as metalwork and the theatre envelope. Finally, c£6.4m of costs and risks have been mitigated in agreeing the base management contractor fee and settling work package costs.

4.6 *Fit Out Costs*

4.6.1 The Factory International business plan included £5m to cover the fit-out costs of the project. In 2020 this was increased to £6m to include the rigging, sound system and ICT network, using cost estimates at that time. The cost of these items increased substantially and in October 2022 it was agreed that the Council would underwrite the additional £7.8m required. This included the impact of inflation, £1m fitting and installation costs and £700k contingency and an allowance for inflation and was to be paid as a grant drawn down at appropriate intervals. As at June 2023 the FFE has been substantially completed. Whilst the costs are within the overall envelope, the full contingency amount will be required.

4.7 *Fundraising Strategy*

4.7.1 Considerable work has been carried out to raise the profile of Factory International and develop opportunities to maximise the commercial funding potential. A detailed plan was developed to secure external funds through a variety of strategic approaches, extending across the breadth of the fundraising landscape. The focus since the last report has been on securing philanthropic income and on a major naming rights deal.

4.7.2 The existing fundraising and commercial sponsorship target was £24.17m. In October 2022 this was increased to include the £7.8m fit out costs incurred by Factory International and £15.2m construction costs incurred by the Council, bringing the total requirement to £47.17m. With the recommendations in this report that target will increase by £7.2m to £54.37m. This total will increase further when the final costs of completing the venue are known and the interest costs for the borrowing are included.

4.7.3 The fundraising campaign is delivered via three **concurrent strategic principles**, which are fundamental to securing support at the highest levels:

1: Creating an integrated and coordinated approach to philanthropic fundraising and commercial naming rights, sponsorship and revenue fundraising;

2: Developing a research informed strategy to target the highest 6 figure and 7 figure philanthropic prospects who combine capacity with propensity for supporting the arts or a major venue in the Northwest;

3: Implementing an extensive ethics process that will ensure any associated sponsors align with the Council and Factory International's brand values. With regard to the fundraising agreements and the naming rights agreements, Factory International will act as the Council's agent. The key commercial deal driver is to ensure the brand is delivered well to ensure longevity of partnership and long-term revenue to support the capital funding and the financial sustainability of Factory International.

4.7.4 An in-principal agreement has been reached that there will be a share of the fundraising income over the life of the lease, allowing a long-term sponsorship strategy to be developed that will generate income over and above the original fund-raising target of £24m. Originally a 70/30 split of revenue (net of fulfilment costs) until the capital costs and fit out costs are met was recommended. This would have only covered the costs incurred (i.e., not including the financing costs). This was also for the initial agreements covering the first few years of operation rather than any subsequent naming rights and commercial opportunities over the life of the lease. It is recognised that these will be long term relationships and it is important to get the right balance between protecting the Council’s interests, ensuring the sponsors receive good value for money from the relationship and that the financial position of Factory International is secured.

4.8 *Philanthropic Fundraising*

4.8.1 To date a total of £2.4m has been raised.

4.9 *Naming Rights*

4.9.1 A long-term partnership has been announced between Aviva, Manchester City Council and Factory International which includes landmark support for Manchester’s iconic new arts and culture venue to be named **Aviva Studios.** The multi-million-pound investment by Aviva, the UK’s leading insurance, wealth and retirement business, will support the completion and help make the delivery of the world-class building possible. Given the commercially sensitive nature of the arrangements, these are subject of the separate Part B report on the agenda for this meeting.

4.9.2 Aviva will work closely with Factory International and the Council on a number of initiatives linked to long-term sustainability and community impact. This includes being the Principal Partner of the Factory Academy, Factory International’s award-winning skills training programme which provides opportunities for careers in Manchester’s ever-growing creative industries.

4.10 *Operation of Aviva Studios by Factory International*

4.10.1 Critical to the success of the venue will be the readiness of Factory International to successfully operate the venue through a sustainable business plan that delivers the project's creative, social and cultural vision.

4.10.2 Factory International is acutely aware of the cost-of-living crisis affecting residents and cultural venues across the UK. This challenge places increased importance on the organisation's strategy to make Factory International truly accessible for all audiences, and Factory International are working hard to develop programmes and initiatives that help to deliver this vision.

4.10.3 To avoid large unbudgeted costs in the future, Factory International will also commit to an annual sinking fund contribution of £253k in order to ensure the venue’s critical and bespoke items are kept in full working order throughout the duration of the lease. The Council will match this contribution. For Factory International this will be held as a ringfenced reserve. For the Council this will be held as part of the AMP reserve.

4.10.4 All assumptions within this business plan are based on a timeline of practical completion in mid-June 2023 and opening of the venue to audiences via a soft launch in late June 2023.

4.11 *Contractual Arrangements*

4.11.1 To support the opening of Factory International, the following key agreements are in place or will be in place (with other ancillary arrangements). These include:

Agreement for lease and lease. The Agreement for Lease has been completed and the Lease which sets out the detailed terms of Factory International's occupation of Factory for 30 years will be signed on practical completion in September.

Management Agreement. The Council previously agreed to the payment of £1.5m per annum for a period of 10 years. The payment is in consideration of Factory International operating and managing the venue and achieving various cultural KPIs (Key Performance Indicators).

Funding Agreement between ACE and Factory International. This provides for the payment of £9.8m per annum funding from Arts Council England and other government grants.

Naming Rights Agreement and ancillary agreements between Aviva, the Council and Factory International to govern the sponsorship arrangements and payment of fees in consideration of naming rights and other benefits, for example, tickets.

Agency Agreement between the Council and FI. This will govern the relationship in respect of identifying a sponsor(s), fundraising arrangements, the target to be achieved and further contributions towards capital. This will be a long-term relationship that will enable a significant proportion of the Council's capital to be repaid alongside ensuring financial sustainability for FI.

4.11.2 Finally, The Factory Trust has been established with a focus on activities taking place within and connected to Factory International. It will support philanthropic fundraising activities connected to Factory International and will lead on such fundraising activities which underpin the capital needs of Factory International and wider strategic efforts to ensure the venue is accessible to all.

4.12 *Manchester International Festival Update*

4.12.1 Aviva Studios will provide a permanent home for Factory International and Manchester International Festival (the biennial festival). Building upon their expertise in delivering high profile complex productions, Factory International is expanding to deliver new audiences, community engagement, fundraising, financial management, artistic planning, creative development, production and technical capabilities to support an ambitious and internationally renowned programme.

4.12.2 Factory International will bring jobs, skills, training and creative opportunities as a major employer in the city and city-region. Approximately 142 new permanent jobs have already been created for Factory International since 2018. There will be over 150 permanent roles at Factory International, with more than 300 additional members working across Front of House, Technical, Production and Ticketing teams. Factory International will also continue to provide significant employment opportunities for freelancers - engaging with approximately 2,000 freelancers when running the biennial festival and year-round programme.

4.13 *Factory International Programme*

4.13.1 Factory International will be operated by the team behind the world-famous Manchester International Festival (MIF), commissioning and presenting a year-round programme of original creative work, music and special events by leading artists from across the world. MIF will continue to take place every two years, bringing new work to venues and found spaces across Greater Manchester, working with the region's cultural organisations.

4.13.2 The new venue will offer audiences the opportunity to enjoy the broadest range of art forms and cultural experiences year-round and in a new world-class facility - including dance, theatre, music, visual arts, spoken word, popular culture and innovative contemporary work incorporating multiple media and new technologies. It will also add to the city's thriving music scene, presenting over 80 gigs of all genres year-round.

4.13.3 The official opening production will be *Free Your Mind*, a large-scale immersive performance based on The Matrix films presented across the building's ultra-flexible spaces. This dramatic retelling through dance, music and visual effects will bring together the visceral movement of choreographer **Kenrick 'H2O' Sandy MBE** with a powerful score from renowned composer **Michael 'Mikey J' Asante MBE** (co-founders and artistic directors of the Olivier award-winning Boy Blue), world-leading designer **Es Devlin**'s immense stage sculptures and the work of the acclaimed writer **Sabrina Mahfouz** – all directed by **Danny Boyle**. Using spectacular visual effects, a cast of professional dancers and hundreds of Manchester participants will recreate some of the film's most iconic scenes, provoking visions of an alternative future. (18 October -5 November 2023)

4.13.4 Before the official opening, the new venue has been the centerpiece of the 2023 Manchester International Festival (from 29 June to 16 July 2023) with the blockbuster art show in its main warehouse space. *You, Me and the Balloons* is a major exhibition celebrating three decades of **Yayoi Kusama's** spectacular inflatable sculptures, shown together for the first time. Created especially for Factory International, this will be the Japanese artist's largest ever immersive environment, featuring works that are over ten metres tall - including giant dolls, spectacular tendrilled landscapes and a vast constellation of polka-dot spheres. (29 June – 29 August 2023).

4.13.5 Following *Free Your Mind*, a wide range of music, circus, art and fashion will fill the building and its outdoor spaces during *The Welcome*, a nine-day programme developed by Greater Manchester residents. Building on Manchester International Festival's strong history of working with local people to choose and programme artists and events, *The* Community decision making will be at the heart of the organisation from the outset with *The Welcome*, a series of free events entirely chosen and curated by a group of Greater Manchester residents aged 17 to 70, which builds on MIF's substantial history of community co-curation. A mix of music, circus, public art and fashion will take over the building's spaces, introducing audiences to different parts of the building and providing a space for people to meet, experiment and play. (11-19 November 2023).

4.13.6 Reflecting Factory International's commitment to ensuring access to the widest possible audiences, 5000 tickets will be available for Free Your Mind at £10 or less as part of an affordable pricing strategy that will see discounted tickets for Manchester communities across its year-round programme.

4.14 *Artist Development*

4.14.1 Factory International will be a training ground for the next generation of creators from Manchester, the North of England and around the world. Building on MIF's track record of commissioning artists to be bold, take risks and make new work, Factory International will support hundreds of emerging and mid-career artists each year. The focus will be on creating opportunities for artists from the North of England, particularly those most underrepresented in the sector, to develop work at scale, to be interdisciplinary and support the development of new international networks to export talent from the region.

4.14.2 New programmes of work for artists from Greater Manchester and the North include a new annual Factory International Fellowship (building on the Festival's Creative Fellowship) which will offer six artists from the north within the first ten years of their career the opportunity to shadow the creation of major new work at Factory International and the festival, providing bursaries and dedicated artistic support. Artist Takeover will be a new Factory International programme dedicated to showcasing new and exciting artists from Greater Manchester and the North of England.

4.15 *Creative Engagement*

4.15.1 Inspiring local communities is central to the vision for Factory International, and a creative engagement strategy will be delivered that will focus on the following workstreams:

1. **Community building** - pioneering new ways of connecting, building trust and creating life-changing opportunities with communities across Manchester and Greater Manchester.
2. **World Class participatory engagement** - residents across Manchester will be offered the opportunity to work alongside some of the world's leading artists in flagship commissions for both the Festival and The Factory.
3. **Agency** - Factory International will be opened with *The Factory Welcome*, created with, by and for the people of Manchester
4. **Artist Development** - We will grow our links, opportunity and impact for artists from Greater Manchester and the North.
5. **Children and Young People Cultural Enrichment** - relationships with the education and youth sectors will continue to be developed establishing new year-round activity with schools, colleges, the city's three universities and youth support groups
6. **Volunteering** - MIF's commitment to a successful and rewarding volunteer programme will be embraced – scoping out in 2022/23 year-round opportunities at The Factory

4.15.2 With regards to early years education, Factory International has already begun delivering creative education programmes to hundreds of young people aged 9-14 across Greater Manchester with a focus around social and emotional learning, teamwork, leadership and resilience. These creative programmes will be integrated into the curriculum for future year groups with the learnings and resources made available to schools and youth centres.

4.15.3 Factory International is a member of MADE, Manchester's Cultural Education Partnership, a collaboration between culture and education organisations from across Manchester, including art galleries, museums, theatres, schools, colleges, which helps deliver a creative curriculum, enhancing learning and developing skills in creativity (engaging over 5000 young people in 2022).

4.16 *Environmental sustainability*

4.16.1 Factory International will be on a committed path towards zero-carbon activity by 2025, using operational data from 2023-2024 as a benchmark. Factory International will operate a 'Zero Waste to Landfill' policy, and work towards a circular economy approach to materials – seeking to reuse wherever possible.

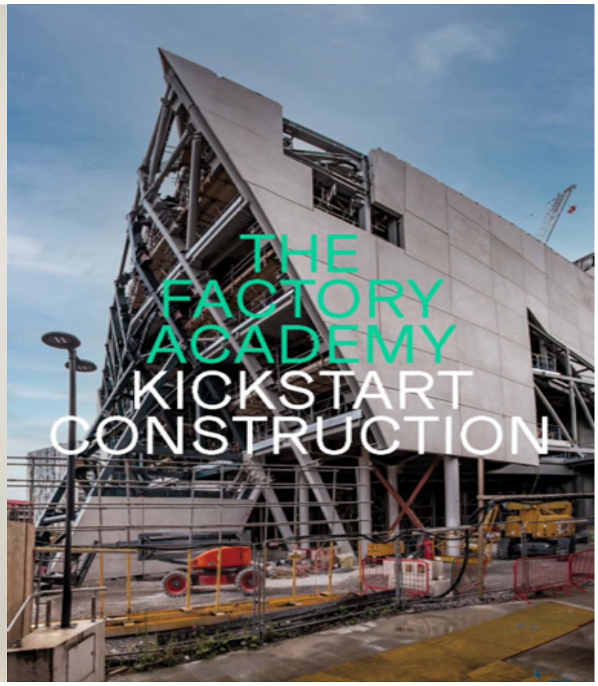
4.16.2 In 2010, MIF helped to set up the Manchester Arts Sustainability Team (MAST), a citywide alliance to tackle sustainability issues in the cultural sector. The network, which Factory International helps facilitate, has expanded across the region as GMAST which provides leadership and guidance to drive collective action to support the region becoming carbon neutral by 2038.

This page is intentionally left blank

Case Study – Rhianna Austin

Kickstart to Social Value Officer

Rhianna took part in The Factory Kickstart Construction Academy in November 2021 and went on to do a 6-month Kickstart Placement on the project, working with the LOR Social Value team.



The Kickstart scheme was launched by the Government in during the pandemic, to help of 16–24-year-olds claiming Universal Credit, gain employment experience through 6 month paid placements, with the aim of being offered employment afterwards.

When Rhianna was employed on her placement, she was working 25 hours per week (minimum hours for the Kickstart scheme) and after a month, LOR increased her to full time working hours to improve her financial situation for the remainder of her six-month placement with us.

Following her placement ending in June 2022, Rhianna was given a full-time permanent contract working in Laing O'Rourke's Social Value team in Manchester and has since received a salary increase in line with the cost-of-living increases. She is now leading on social value delivery on Abraham Moss Library and Leisure Centre project and is truly enjoying her role.

Rhianna said of her experience:

"I can't state enough how well supported I have been by Laing O'Rourke since starting with them. My placement and now permanent role have built my confidence and given me a real focus and direction of travel for my career. My role within social value has

given me the sense I am contributing to something important in my home City of Manchester, something I so wanted to do, before my employment.

"Since being given full time and permanent employment, I feel my financial worries have massively reduced with the ability to pay my bills and do more in my social life with friends and family. I now feel confident I can support the way I live. The fact I am getting a regular income and salary has given me so much more stability and massively improved my mental health and wellbeing".

Case Study – Mohammed Ismail

General Labourer to Thermal Insulation Apprentice

Mohammed has been employed since June 2021 with works contractor partner Munnelly's who are delivering the logistics support package on the project.

Mohammed had been out of work for 18 months before he joined Munnelly's as a General Labourer, a role he secured through Manchester recruitment partner The Works/Construction Academy. He has now worked on the site for 2 years, obtaining his CSCS card and has received additional health and safety and site operative training organised by the Munnellys team.

Since starting on the project, Mohammed has built strong relationships whilst on site and has regularly kept in touch with the Laing O'Rourke Social value advisor and actively pushed himself forward to progress in his career through attending recruitment events organised by LOR and pursuing apprenticeship vacancies.

Knowing that Mo wanted to undertake an apprenticeship to learn and progress qualifications in his career, Laing O'Rourke recently went on to refer him and vouch for his dedication and character to works contractor partner on the project Righton Insulation Services. As a result, Righton offered Mo a Thermal Insulation apprenticeship position. Mo started his apprentice position on The Factory in October 2022 and is so far enjoying his new role.

Mo said of his experience:

"I've really enjoyed working on this site and having my job with Munnellys has given me a real routine and a good insight into construction. I've always known I wanted to work in this field now and have got a good team around me who have helped me to progress. For a while now, I have been wanting to do an apprenticeship and have had great support from Laing O'Rourke and the team to do so."

Case Study – Connor Kadie

General Labourer (Joinery)

Connor has been employed with Gariff Construction, who are delivering the Joinery package of works on the project, since June 2022. Prior to his employment, Connor had been in and out of work with agencies, working on temporary contracts and was looking to gain a full-time permanent contract.

Connor came across the role with Gariff, working on The Factory, through his local job centre in Wythenshawe**.**

Connor said of his experience:

"It's been pretty impressive working on a project like this and I'm really enjoying learning a trade. Since being employed with Gariff, I have received lots of training and having a full time, permanent role has given me a lot more stability. I am also talking to Gariff about progressing onto an apprenticeship with them in the near future which is great".

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank