

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 25 May 2021

Subject: Updated Annual Property Report 2020/2021

Report of: Deputy Chief Executive and City Treasurer

Summary

This report provides an update on property activity since the last Annual Property Report to Resources and Governance Scrutiny Committee in November 2019. The report is an updated version of a report that was prepared for the 9 March 2021 meeting and provides further information on activity across the Development Team and Investment Estate and the Operational Estate up to the current date. The report also includes an update on the specific areas requested in the Scrutiny Committee's work programme, including Central Retail Park; future plans and performance of the investment estate in relation to potential income generation; estates rationalisation and work on reviewing the Council's operational estate; the Zero carbon agenda and future developments within the Capital Strategy.

Recommendations

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

Wards Affected: All

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

The Council's property and land assets are a significant area of focus in efforts to achieve the zero-carbon target for the city. In terms of the Council's direct carbon emissions, in 2019/20 the Council's operational buildings accounted for around 75% of the total emissions. As reported to the Neighbourhoods and Environment Scrutiny Committee in February 2021, the Council's direct CO2 emissions overall reduced by 54.7% between 2009/10 and 2019/20. Emissions from energy use in Council buildings have reduced again in 20/21 compared to the same period the previous year; this has been driven by the installation of energy efficiency measures and renewable energy generation capacity, and further affected by the decarbonisation of the national grid and the changes to building use caused by the Covid-19-19 pandemic. Quarter one emissions in 20/21 from buildings are 32% lower than the previous year and quarter two emissions are estimated at 21% below the year before. This report includes an update on the Carbon Reduction Programme, a specific investment programme focussing on building retrofit and energy generation to increase the scale and pace of carbon reduction activity on the estate.

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

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Background documents (available for public inspection):

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

Annual Property Report 2018/19 - Report to Resources and Governance Scrutiny Committee, 5th November 2019

1.0 Introduction

- 1.1 This report covers the work of the development and operational property teams in the Growth and Development Directorate since the last Annual Property Report in November 2019. The report is an updated version of a report that was prepared for the 9 March 2021 meeting of this committee. That report set out property activity over the 2019/20 financial year. This update report provides further information on property activity up to May 2021. It is broken down into two main sections: Development Team and Investment Estate (Section 2); Operational Estate (Section 3).
- 1.2 The report also includes an update on the specific areas requested in the Scrutiny Committee's work programme, including: an update on the Council's commercial estate, including Central Retail Park (paragraph 2.31); future plans and performance of the investment estate in relation to potential income generation (from paragraph 2.59); the zero carbon agenda and future developments within the capital strategy (from paragraph 3.36); estates rationalisation and work on reviewing the Council's operational estate (from paragraph 3.48).

2.0 Development Team and Investment Estate Update

- 2.1 This update covers the period between April 2019 and the end of March 2021. The first half of this period, financial year 2019/20 was almost wholly before the impact of the Covid-19 pandemic and the first of the national lockdowns. The impact of the lockdowns through financial year 2020/21 has been significant across all elements of the Development Teams portfolio of work, and in the view of officers will continue to impact the workload of the team for some considerable time to come.
- 2.2 Over the reporting period the Development Team continued to support significant growth and development activity throughout the City as market conditions continued to be buoyant throughout 2019/20 and were only marginally impacted by growing concerns during March about the potential impacts of Covid-19. After the commencement of the initial lockdown in March 2020, both the development market and the Council's investment estates were radically impacted, with construction sites included in lockdown and many of the Council's investment estate premises also included within the list of premises that had to be closed. The progress of the pandemic and the series of lockdowns, period of tiering and subsequently the beginning of the relaxation of some of those restrictions has had a profound effect, particularly on the investment estate, and we remain in a period where action cannot be taken to determine tenancies where tenants have not paid rent due. The current period is due to expire at the end of June 2021, however as we have seen already the courts are facing a significant backlog of cases and the implications of this will extend for some time to come. Further information is provided in the Investment Estate section of this report.
- 2.3 In respect of the development activity, following the initial hiatus due to restrictions on site working, the market has slowly returned to a level of

business as usual, with sites opening-up and operating in covid secure environments. Whilst this will impact on the speed and efficiency of construction the level of continued activity and pipeline work remains buoyant.

- 2.4 We have continued to support the Council's objectives for residential and employment growth as well as supporting sporting, cultural and leisure initiatives, redevelopment and regeneration of district centres and working with colleagues in other Directorates on safeguarding and developing the Council's heritage assets, developing schools and rationalisation of Council property.
- 2.5 The Development Team is also responsible for generating income for the Council, both revenue in respect of rental income from the Investment Estate and in supporting the Council's capital programme from the sale of land assets through capital receipts. Sound commercial judgement, together with a wider understanding of the Council's corporate plan objectives is required to ensure that decisions on land and property achieve the best outcomes and deliver best value for the Council. We are well placed to provide this role, particularly where we are involved in the outset of negotiations or policy formulation.
- 2.6 The Development Team continues to provide viability advice for the Council on planning applications and on the feasibility of development generally. We have input into the new checklist for planning applications to ensure the viability process outlined in policy H8 of the Local Development Framework is fully transparent. This work area has grown as a result of the number of developers promoting schemes which are not fully compliant and due to the complexity of development appraisals that are being presented. The level of requests for viability assessments has remained high, and the introduction of reconciliation provisions within s106 agreements has created an added responsibility for the team. It is important that we seek to ensure that applicants fund the cost of this work, whether done in-house or by external consultants. Whilst it is too early to determine the amount of additional contributions to be secured through this process, the presence of these types of arrangements helps to mitigate the incentive for the developer to value engineer schemes and materials used.
- 2.7 The following paragraphs summarise the main achievements and areas of activity over the reporting period, April 2019 to March 2021.

Commercial Development

- 2.8 *Manchester Creative Digital Assets Ltd:* The Development Team has been instrumental in the delivery and operation of the Digital Assets which include The Sharp Project, Space Studios Manchester and Arbeta (previously One Central Park). Manchester Creative Digital Assets Ltd (MCDA) was set up as a MCC wholly owned company in 2017, tasked with managing, operating and setting the strategic direction of the digital assets and creative property. Our role is primarily one of supporting MCDA in providing development advice, supporting on lettings and tenancies, providing property management advice and support on the delivery of new developments and the continued growth of the Digital Assets.

- 2.9 The £10m refurbishment of Arbeta (previously One Central Park) was completed in July 2019, with modernisation of the external façade completing in summer 2020. Alongside MCDA we have overseen the development of the plans and business case for the refurbishment and led on the procurement of the professional team and main contractor, overseen delivery of the project and managed the budget. The refurbishment provides 83,000 ft² of high-quality office space in an alternative, but accessible and lower cost location to the city centre, complimenting The Sharp Project with space for digital and creative content sector companies to grow up into. We have worked with MCDA and our legal team to create a suite of flexible occupational agreements. This involves a move away from the traditional leasehold agreements and will align ourselves with market leaders in this field to ensure our estate remains a location of choice for new and existing businesses in this key growth sector. The Development Team have recently supported and advised on key lettings, including c2,800 sq ft to Applearn (relocating from The Sharp Project), 5,400 sq ft to Babcock International and c11,000 sq ft to Mission Labs. These lettings have been secured during the Covid-19 pandemic; however, it is evident that the pandemic has had significant impact on lettings in general with a slow-down in the office market, impacting on the ability of Arbeta to generate early income during 2020.
- 2.10 The success of The Sharp Project helped to establish the case for the Space Studios Manchester in West Gorton, with phase 2 completed in 2017. The studios provide the production base for the internationally successful BBC Drama Series Peaky Blinders and continues to attract multi-million-pound productions who have chosen Manchester as their production location over competing regional locations.
- 2.11 Over the last 12 months we have worked with MCDA in the development of appraisals and a business case to obtain initial funding to undertake feasibility work for a potential third phase, continuing with the growth of the site to develop on its ongoing success and to capture the increasing demand for TV and Film production in Manchester. In February 2020, we submitted a bid and secured £325,000 Evergreen Surplus Revenue Grant to help support the delivery of feasibility design and cost planning to develop the business case. With a total feasibility budget of £650,000, the Development Team have appointed a project/ design team to commence the feasibility work, completing RIBA Stage 1 design in March 2021 for two new 20,000 sq ft sound stages and 30,000 sq ft of support space. Subject to the feasibility works supporting the business case, work will progress to obtain the necessary Executive approvals and planning consent in 2021.
- 2.12 The Development Team continue to support Screen Manchester in their work to support productions looking to film on location in Manchester, often utilising Manchester City Council owned land and property where filming licences are required.
- 2.13 MCDA assets continued to perform extremely well prior to beginning of the pandemic. With significant lettings achieved at Arbeta in early 2021 and tenants now returning to The Sharp Project, we are expecting a quick recovery

during 2021/22 and will continue to support MCDA on leasing and letting. We expect both Arbeta and The Sharp Project to benefit from their out of town location, with good transport links and parking provision, which will be attractive to companies looking for space and flexibility as an alternative to City Centre locations. Bookings at Space Studios are returning to pre-pandemic levels and forecast income this financial year (2021/22) are expected to return to 2019/20 (pre-pandemic) levels.

- 2.14 *Manchester Airport & Enterprise Zone:* Manchester Airport continues to develop internationally and is a major economic driver to the Region. The Manchester Transformation Project (MTP) is well underway with the enlargement of Terminal 2 on site. MTP will see a significant remodelling of the Airport to accommodate increased passenger numbers. The first new pier became operational in April 2019. It is anticipated that the transformation project will create around 1,500 jobs. Since March 2020, work has effectively ceased due to the impact of Covid-19 on flights and passenger volumes and the Airport are currently consolidating all flights through Terminal 1.
- 2.15 The performance of the Airport links directly to the annual rent income MCC receives, which was over £9m in the 2019/20 financial year. The development team also coordinates the landowner's approvals process on behalf of the GM Districts, ensuring the works and associated construction methodologies are in accordance with the project objectives. Despite a dramatic fall in turnover due to Covid-19, the rental income due to MCC and the GM Districts has been protected due to a provision in the lease that effectively prevents the turnover related part of the rent (approx. 50%) from falling by more than 12.5% in any one year. The rent review due on 1st April 2021 in respect of the Property Element of the annual rent received is still outstanding due to difficulties in assessing rental values of selected assets at the Airport due to the impact of Covid-19 on lettings. Work is on-going with the Airport, but an increase, at this stage, is not anticipated.
- 2.16 In addition to the transformation programme detailed above, the Airport has been undertaking a major restructuring of its non-operational/investment portfolio with a view to increasing investment and improving returns. Following the completion of the selection process an investment partner for the new PropCo was selected and the lease commenced in August 2020. MCC and the Districts receive a share of the annual rent of £603k.
- 2.17 Airport City North – activity to date has been the development of several hotel sites which are progressing. The main activity is around the new THQ – which is the Hut Group's new headquarters campus, which will deliver up to 280,000 sq. ft of office space in 4 phases. THG also have option agreements on over 16 acres, which will include a new leisure facility, offices, and car parking. Site clearance works are now underway ahead of the start of construction which is expected soon. The Airport City JV (ACML) are also looking at potential speculative office development adjacent to the northern landing site of the new 'Green Bridge' over the M56 spur. The new bridge provides pedestrian and cycle connectivity between Airport City North and the main terminals campus.

- 2.18 Airport City South – now called Global Logistics One is being rapidly developed by Stoford Developments and ACML, with the main occupants to be THG alongside the existing occupiers including Amazon and DHL. To date there has been circa 1m sq. ft of logistics space developed with another circa 700,00 sq. ft in the pipeline. MAG are currently exploring development options for the ACS expansion land to the South of Global Logistics One, known as Global Logistics Two. MAG are currently in discussions with THG in respect of further development of GL2.

City Centre Development

- 2.19 Demand from investors and occupiers, particularly in the residential, office and leisure sectors continues to be very strong and has seen a number of major City Centre schemes involving Council assets progress significantly over the reporting period, despite the upheaval resulting from the pandemic. A number of the major development agreements and transformational projects have had to be renegotiated to allow for the impact of Covid-19 on funding, timescales, delivery and viability. The team has worked closely with our colleagues in the City Centre Growth and Planning teams to ensure that we have prioritised schemes which remain viable and fundable in the context of a very different funding environment, and crucially those where the quality of development can be maintained. These are set out below.
- 2.20 *Spinningfields:* As previously reported, development activity is now complete and major assets sold into the investment market. The Team is continuing to progress the close down of the development agreement and development accounts with Allied London.
- 2.21 *First Street:* Following the completion of Building 8, which is now nearly fully let, activity has focused on the remaining plots at First Street Central and First Street South. Patrizia who are exiting First Street disposed of plots 9 and 10 to Ask/Richardson who are promoting speculative office development building on the success of Building 8. In addition to the above the whole of First Street South land has been sold to Downing Developments, who are intending to bring forward residential development across the site.
- 2.22 Downing Developments have secured a planning application for a co-living neighbourhood spread across four residential blocks, including a 45-storey tower, providing more than 2,000 bed spaces. The legal agreements have been completed and a start on site is expected soon.
- 2.23 *Jacksons Row/Bootle Street - St Michaels:* The legal agreements are varied to secure the delivery of the scheme in two phases, the initial phase being an office led development with the residential and hotel forming a second phase. A start on site is expected before the end of 2021.
- 2.24 *St. John's:* The redevelopment of the former Granada studios complex as a major mixed-use scheme that will transform this area and spatially connect Spinningfields, Castlefield and the Museum of Science and Industry is well underway. A key aspect of the scheme is the Factory – an iconic arts and

cultural centre where good progress continues to be made. The team have entered negotiations with Allied London & the Museum of Science and Industry in respect of the extension of the St John's SRF area, namely Campfields. This includes Upper and Lower Campfield Market Halls both under the Council's ownership and Castlefield House, owned by Allied London.

- 2.25 *Mayfield Regeneration Area*: The Development Team have been supporting the public sector JV company to review the viability and returns relating to the development phasing and delivery of the scheme, which includes a proposal for a seven-acre City Park on land to the southeast of Piccadilly train station. Development masterplans were completed in the year to March 2019 and discussions in relation to the funding of the first phase are continuing. Initial discussions included the possibility of a public sector loan to fund the park, but alternative grant funding was secured through the government's Get Britain Building and work on the delivery of the park commenced late 2020.
- 2.26 *Heron House*: The refurbishment of the building was completed in April 2019. The majority of the office space has been let to GCHQ and The Ministry of Justice. Following a procurement exercise, the Council has appointed the Barclays Consortium including Plexel, Lancaster University and the University of Manchester as the operators of the Cyber Hub which has been named the Digital Innovation Security Hub (DISH). Terms of the lease are currently being negotiated. The office lettings will result in a significant number of new highly skilled jobs coming into Manchester. Bruntwood have been appointed as property managers for the building, bringing their skills and innovative approach to ensure that revenue streams are maximised, and void costs are minimised over the remaining term of the Council's headlease.
- 2.27 *Circle Square*: Development is well underway on the initial phases of both residential (serviced apartment buildings) and commercial development (office, multi-storey car park and hotel). The Development Team have continued to support the process through landlord approvals, and oversight of development timescales and compensation relating to Rights to Light is being monitored. The Team are actively engaged with the developer to support the Hatch concept and have worked to facilitate this through the short term variations to long leasehold arrangements, which has allowed a previously dark, back corner of the site to be opened up and become an attraction in its own right. Ongoing dialogue with the developer and University relating to a second phase of development is being pursued.
- 2.28 *Bridge Street and Kendals*: The Development Team have been working closely with the owners of the Kendals building to consider long term options relating to the potential future positioning of the asset. The Council has no interest in the Kendals building but the King Street car park and retail units are in the Council's leasehold ownership and provide an important revenue stream. It is critical any future development provides for the Council receiving value for money for its assets. Outline terms were agreed and subsequently the Parsonage Gardens SRF was adopted at planning committee, which enable detailed designs to be drawn up for a suitable scheme. Following

public consultation, a planning application was submitted in early 2021 that provides for circa 500,000ft² of office space along with some retained retail and new retail at low levels. The Kendals building itself will be refurbished and redeveloped. The back site will involve wholesale demolition of the existing shop, office and car park buildings. A detailed viability assessment is underway and the negotiation for the Councils car park and retail assets are in progress.

- 2.29 *Car Park Portfolio*: The Development Team has played an integral part of the project team bringing forward the re-provision of the City Centre car parking service. Following a short 18 month extension that was agreed for the NCP joint venture agreement and associated leases (from June 2019- Dec 2020), the ongoing future around the way the car parks will be held and managed is under review. Procurement advice was sought around the ability to look at a short-term management contract to enable longer term policy and asset management decisions to be developed in detail and it was concluded that the Council would bring the management in-house. The JV came to an end and all the City Council owned car parks were handed back on 1st Jan 2021. The inhouse management of the car parks is now being supported across both the Development and the Estate Management Team.
- 2.30 *Ramada Renaissance, Deansgate car park and Premier House*: The Council owns the freehold interest and the car park leasehold interest (included with the NCP joint venture portfolio), in this long-standing re-development site. The Development Team have worked with the existing long leaseholders of the hotel and vacant office building to secure the terms under which re-development can take place. The site has stalled over a significant period and viability has been at the forefront of the issue. The head leasehold holders announced that they no longer wished to bring the site forward directly and instructed agents to market their interest to potential new development partners. The Development team liaised directly with the preferred bidder, Property Alliance Group, over the lease car park surrender and re-gear terms, ultimately required. Terms have been agreed on the Agreement for Lease and a start on site to strip out the hotel has commenced. Legal documents are being finalised and a Project Board established to monitor the development.

Other Commercial and Employment Development

- 2.31 *Central Retail Park*: Following acquisition of the 10 acre site, vacant possession has been secured and demolition completed. Master-planning work was commissioned to support the future use and development strategy for the site, culminating in the approval of the Regeneration Framework for the site. It is anticipated that this will position the former Central Retail Park as a commercially led redevelopment scheme to provide office accommodation to support the pipeline of development in a sector that is key to driving the City's growth ambitions and is fundamental in building the tax base of the City. Work on aligning the delivery strategy to the Council's economic recovery plan, viability and to align future development with the Council's zero carbon agenda is ongoing.

- 2.32 *Didsbury Technology Park:* The team has been monitoring the outputs of the development in line with the milestones set out in the Council's land agreement with its development partners: Bruntwood, PJ Livesey and Siemens. Good progress was made on site during 2019-20 with Siemens recently committing to locate their national HQ within the development creating at least 70 additional jobs and unlocking a further phase of commercial development. Negotiations with Siemens have been completed in respect of the capital payment due for the release of the restrictive covenants permitting development on the site under the terms of the overarching development agreement. Discussions are now underway with Bruntwood regarding S.106 works to benefit the site and surrounding area.
- 2.33 *Central Park:* This is one of the Council's major employment sites. It was developed originally by NWDA in partnership with the Council and New East Manchester (NEM) with the Council acquiring the whole site from the HCA in 2016. Central Park currently accommodates a number of B1 occupiers, including Fujitsu, Arbeta, a number of smaller occupiers at Madison Place and is also the location for GMP's divisional and regional headquarters. The site has excellent infrastructure and a high standard of infrastructure and it is considered that the remaining 16 ha (39 acres) of undeveloped land offers an excellent opportunity to provide employment space to meet market demand and support growth sectors within the City. The Development Team undertook market research in 2020, conducting discussions with agents and developers with regards the market for employment space and the development potential. Consultants, Avison Young, were subsequently appointed to undertake a gap analysis to analyse competing locations, potential uses and employment sectors the business park could accommodate and how best this can be delivered. In 2021, the Development Team will seek approval to develop a strategy to bring the remaining land at Central Park forward for development.
- 2.34 *New Smithfield Market:* The market is a major economic asset to the City and provides over 600 jobs and accommodates over 30 separate businesses on its 35 acre site in Openshaw. Over the years it has suffered from a lack of investment, partly due to uncertainty over its future role. A major options study that was commissioned last year has now been completed and proposes a phased approach to redevelopment on the site. The main public investment is proposed for the wholesale market halls and the report proposes a rationalisation of space and a mix of refurbishment and rebuild on the remaining area. The report also identifies the areas that could be developed for other food related uses, including space for the expansion of existing food related businesses. We are currently advising markets on the expansion of two existing food related businesses on site and negotiating a lease for the food charity Emerge / Fare share to relocate on site into a larger vacant property that they will refurbish.
- 2.35 *Land at Pollard Street, New Islington:* In December 2019, The Council entered into a contract with General Projects for the disposal of land to enable the development of a commercial scheme targeting the TMT sector and especially SMEs with employment for between 2,500 – 3,000 full time employees. The

scheme has secured planning consent and work is progressing towards a start on site for the scheme.

Housing Development

- 2.36 The Development team play a crucial role in working with Strategic Housing, Planning and other partners to deliver the Council's objectives for Housing and this will continue as the need to deliver more quality homes and in particular affordable homes in the City becomes more important. Over the past year the team has continued to lead or support the development of family homes throughout the City and facilitated several apartment-led schemes.
- 2.37 Disposal of land assets to support housing delivery with Registered Provider partners has been a key output of our activity. This has included the development of housing through project 500 (see below) and on small infill sites owned by both the Council and Registered Providers such as that at Compass Street, where a 38-unit affordable apartment scheme by One Manchester has been agreed, with construction commencing in 2020. Terms have been agreed with Mulbury/Great Places to bring forward the development of 25 affordable housing units on a site in Higher Blackley with an expected start date of summer 2021.
- 2.38 *Project 500* – The Development Team has been working collaboratively with Housing colleagues and Registered Providers on Project 500 which is a scheme to maximise the delivery of affordable housing on sites identified by the Council. The strategic objectives for the project will include development of well-planned, high quality low carbon homes, maximising the sustainability of new homes along with delivering social investment outcomes.
- 2.39 The Team has also worked with Registered Providers and other partners to facilitate the development of larger affordable housing or mixed tenure / mixed use schemes with schemes commenced or completed over the reporting period.
- 2.40 *Former Stagecoach Site* – Construction of 258 new homes over three phases of development has commenced. Phase 1 will comprise of 54 family houses for market sale and shared ownership. Phase 2 will provide 72 affordable Extra Care units to be delivered in partnership with Mosscares St.Vincent's (MSV) Housing Trust (a Registered Provider). Phase 3 will be a combination of apartments for rent, for which detailed planning consent has been obtained and an affordable housing scheme targeted at the over 55's. The developer, Rowlinsons, are working with MSV to deliver the affordable scheme which will be a 'Happy' design providing approx. 40 apartments.
- 2.41 *Ben Street* - The Ben Street project comprised the acquisition and refurbishment of 62 vacant and dilapidated properties, in the Clayton area. The homes have already been successfully handed over to One Manchester and have been very popular with the community. The face-lifts and streetscape scheme have dramatically improved the aesthetics of the area and there has been an overwhelming positive response to the work

undertaken. In the last 12 months the focus has been in bringing forward the Ilk & Alpine Street development site forward for circa 66 new affordable homes for sale that has required the use of a small compulsory purchase order to provide a clean title. Agreement has been reached with One Manchester to develop the site and once they have completed the scheme the Council will transfer the freehold title and the Council will receive a £495,000 capital receipt for the land. The development has progressed considerably in the last 9-12 months and by December 2021 construction should be practically complete.

- 2.42 *Hyde Road / Oasis:* This project completed in March 2020 and has resulted in the transformation of a site vacant for over 30 years in a prominent location in Gorton District Centre. The scheme has involved the development of 21 family homes by One Manchester and a new permanent base for Oasis in an attractive building fronting Hyde Road. The charity's new premises will allow Oasis to expand their services helping vulnerable and deprived people within the Gorton area to lead healthier and independent lives and contribute to the community in which they live. One of the new occupants of the homes is an employee of the adjoining Oasis centre and is delighted with her new home.
- 2.43 *Piercy Street:* This is a small site overlooking the Ashton Canal on the edge of Ancoats where 17 large modular built properties have been completed by Urban Splash under a development agreement with the Council. On completion of the last unit on site the freehold of the site will be sold to the 17 purchasers via a company owned by the homeowners. In this way the management of common areas within the site will be effectively managed and the occupiers will have control over these shared spaces. The Council will receive receipts from each plot sale estimated to be c£1m. The scheme is subject to a s106 Agreement requiring Urban Splash to provide four affordable housing units on the site, which will comprise shared ownership homes to be managed by Places for People.
- 2.44 *Victoria North (Northern Gateway)* – The Development team worked closely with colleagues across the Council and FEC to develop and submit a funding bid for Homes England Housing Infrastructure Fund monies. The City Council's application for £51.6m of Housing Infrastructure Fund (HIF) has been successful and a programme of work is being identified to address the needs for infrastructure in the location of the Lower Irk Valley area. The team has also worked closely with the developer to assemble sites for future development and a key strategic site in the form of the Creamline Dairies site was acquired in Autumn 2020 together with the acquisition of a third party freehold interest to further facilitate the future delivery of 5,000 homes in the Lower Irk Valley.
- 2.45 *Former Spire Hospital site, Russell Road* – Following a tender exercise, Anchor Hanover Group, a registered provider, were selected to deliver and manage an affordable apartments scheme targeted at the over 55 LGBTQ community. Anchor Hanover will work directly with the LGBTQ Foundation to design the scheme, which will deliver 105 apartments for affordable rent and

shared ownership. Negotiations are on-going in respect of the terms of the development agreement and long lease.

- 2.46 *Chorlton Leisure Centre* – Mosscares St Vincent have recently been chosen to deliver an affordable apartments scheme on the site of the former Chorlton Leisure Centre. The scheme will be aimed at the older community in the area, with apartments available on a range of tenures. The objective is to maximise the potential for residents currently living in larger properties, to 'rightsize' into new, affordable apartments and thus freeing up local properties suitable for families. MSV will shortly commence a consultation programme to ensure the final scheme meets the needs of future residents. Lease and development agreement negotiations are due to commence shortly.

District and Town Centre Development

- 2.47 District centres play a vital role for local communities. They are often central to the identity, character and appeal of a neighbourhood, surrounded by housing and accessible to all forms of transport. They can provide the focus for retail, leisure, public services, employment and education as well as housing. We have been actively involved in a range of initiatives to improve the quality and offer in district centres which includes the delivery of new development.
- 2.48 In Newton Heath there are several vacant sites within the District Centre area that when developed will support the Centre's viability, these include the former Market Site, at Millwright Street and a group of property and vacant land in a prominent location fronting Oldham Road. A scheme is currently being developed for the construction of Council properties on the former Market site, and Millwright Street has been identified for an Extra Care Scheme. A scheme for the development of apartments and family housing with the new owner of the former Chinese Warehouse (known as the Yes site) on Oldham Road is being progressed, with the new owner of the Yes Site and One Manchester. The scheme is being designed to potentially incorporate the Rosedale building should it become available.
- 2.49 *Harpurhey District Centre*: The team are continuing to work with Habro, the long leaseholder, to improve and diversify the range and quality of uses within the Centre. The market has been transferred from the Council to Habro who have appointed an experienced market operator to run the facility and invest in a number of improvements to its physical fabric and improve the offer. The team are also working with Habro to ensure that any development on adjoining sites is appropriate, of high quality and supports the sustainability of the district centre.
- 2.50 *Wythenshawe Town Centre*: The team have been working closely and over an extended period with the long leaseholders at Wythenshawe, St Modwen, to develop a proposition for investment into the centre that is viable and fundable. However, the impact and uncertainty which Covid-19 and lockdown brought has stalled these proposals. The town centre however has performed well through lockdown, and through a number of discussions the underlying characteristics of the centre provide an opportunity to promote regeneration as

we come out of lockdown, particularly if new funding streams are available. It will be important to ensure that any investment takes account of the impact of Covid-19 on retail habits over the longer term to support sustainable development.

Leisure, Sport and Education Development

- 2.51 The Development Team provides property input to the completion of new schools which includes the acquisition of land to accommodate new schools or school expansions and negotiating the leases for both Academies and Free Schools. This has included the Communications Academy in Harpurhey, the Creative and Media Academy in Charlestown, the East Manchester Academy in Beswick, Newall Green High School, Wythenshawe and Chorlton High School at Hough End, Chorlton Park. A lease has recently been granted to The Secretary of State for land at Rayburn Way, Cheetham Hill to facilitate the development of an Edens Girls Academy and Edens Boys Academy which will accommodate up to 1600 pupils.
- 2.52 As part of the ongoing Education Basic Needs Projects, assistance will be provided to facilitate the extension to the Cheetham CE Community Academy at Cheetham Hill and the proposed Academy at Daisy Mill in Longsight.
- 2.53 The Education Service has identified a requirement to deliver a new 1,200 place secondary school in Central Manchester. Following a site review of internal assets, it was concluded that no suitable sites were available. The Development Team has been able to agree to acquire the former Showcase Cinema which will be enable delivery of the school as well as a significant number of houses on the residual land. A final acquisition cost will be agreed following site investigation surveys, with the school identified for opening in 2022-23.
- 2.54 Extensive support has been provided to colleagues in Leisure on a number of sports related projects, the main one being the relocation of the Rugby Football League to land close to the Etihad stadium.
- 2.55 The RFL agreed to move its 150-office staff from Leeds and Salford Quays to land close to the Etihad, in line with the Rugby World Cup, to be staged in England. The Development Team supported the submission of the bid to RFL along with Leisure Services and City Football Group. The department will lead on the delivery of a new facility for RFL along with other National and Regional Governing Bodies already located in Manchester. Heads of terms have been negotiated with the RFL to take a 25-year lease of office space. The design and development of the scheme is continuing, and it is intended that a planning application will be submitted later this year. It is expected that the development will attract additional organisations either to relocate in full or to use for agile working.

Capital Receipts

- 2.56 Capital receipts will be an important element of the Council's capital programme over the next few years as borrowing becomes more restrictive and it is important that sales are progressed if the Council is to receive the best value for its assets that can be used to support other spending commitments, in addition to driving growth and support the place making agenda.
- 2.57 Over the reporting period a total of £14.9m (2019/20 - £4.2m; 2020/21 - £10.7m) of capital receipts were received in the year 2019/20 from the disposal of Council land and property. The 2019/20 return is significantly lower than the receipts received in previous years, and the 2020/21 receipts included a significant deferred receipt relating to land in East Manchester. Over the next few years capital receipts are likely to be more difficult to achieve as land values are constrained because of the need to provide sites for affordable housing and satisfy climate change policies. The loss of sites at nil value for educational purposes will also impact on the level of receipts.

Investment Estate

- 2.58 The Investment estate generates income for the Council through a combination of the sale or lease of land and property to generate capital receipts to support planned capital expenditure and secondly in maintaining the Council's investment estate to generate rental income that supports the revenue budget. Income from the Council's investment estate continues to provide a valuable source of revenue for the Council, particularly from its property interests in the Airport. Requests from lessees to acquire freeholds or peppercorn leaseholds in exchange for capital receipts are generally resisted with income producing ground leases being the preferred option.
- 2.59 The investment estate 2020/21 budget had a net budget of c£12m surplus, this was made up of gross income £20.7m, offset by costs of c£8.7m. Included within this income budget is £9.4m in respect of Airport leases.
- 2.60 Arndale Centre has an annual income budget of c£388k, and this income level has been achieved over the past three years. Due to Covid-19 it is anticipated that the income may be lower in 2021/22, but much will depend upon the strength of the economic recovery and the ability of the centre to maintain a high level of occupancy.
- 2.61 The 2020/21 accounts are being finalised but the impact of Covid-19 is likely to mean a shortfall of income of c£1.6m.
- 2.62 It should be recognised that income and expenditure flows in the Investment Estate can be volatile due to the ever-changing situation about property occupancy, rent reviews, redevelopment, and additions/disposals to the portfolio of property held. But the overall risks have been increased even further due to the market impact of Covid-19. The rental income will continue

to be monitored and any risks will be identified in year as part of the regular budget monitoring.

- 2.63 Because of the Covid-19 impact on trade several requests for rent support have been made by tenants, this support has included both deferment of rent and in some instances reduced rent or service charge. To date the only support that has been provided has been through agreement to defer rents to support with cash flow, no agreement for write offs have yet been agreed. In recognition of the likely impacts of Covid-19 the 2021/22 budget has been adjusted by c£2.7m to reflect the likely reduced income.
- 2.64 A draft rental support policy has been drafted that sets out details of potential financial support available to tenants and the process required around decision making for such decisions. The finalised policy will be brought require member approval. and it is intended that post-election this will be taken to members for agreement.

Jacobs Contract

- 2.65 The management of most of the Council's non-operational (investment) estate and transactional work such as rent-reviews, lease renewals and some disposals are dealt with by Jacobs who are the Council's outsourced property management contractor. The contract contains a number of KPIs in respect of performance on property transactions, void levels, rent reviews and management of the estate. Under the terms of the contract Jacobs have supplied a statement of social value to set out how they have gone about meeting the social value provisions of their tender.

Asset Valuations

- 2.66 The investment assets are valued on an investment basis by way of a largely desk based review by reference to the class of asset and changes in investment yields. Surplus properties should ideally be valued on an annual basis with operational properties are generally valued on a 5 year rolling programme with the valuations carried on a Discounted Replacement Cost basis. Over the past few years CIPFA rules have required a greater proportion of the estate than the 20% that was normally required and there is a cost implication to the Council of this requirement. Manchester, as with many other local authorities has faced an increasing level of queries on their valuations from its external auditors and it will be more important going forward that all our asset valuations are undertaken in a robust manner that can be fully justified.

3.0 Operational Estate and Facilities Update

- 3.1 The operational estate comprises of the properties used by the Council to deliver services. The Corporate Estate and Facilities Service is responsible for the operational estate strategy, property advice to services, and acts as the Council's corporate landlord. The service is responsible for the management, repair and maintenance of the Council's operational estate and the delivery of

Facilities Management services including maintaining statutory compliance, cleaning, catering, security, and both planned and reactive maintenance.

- 3.2 The Council's operational estate portfolio consists of approximately 350 buildings across the city, with a total gross internal area of around 344,000 square metres. These range from large offices, national sporting venues such as the Velodrome, and key heritage sites such as Wythenshawe Hall, through to community facilities like libraries, leisure centres, and small pavilions in parks. The Estates Team responsibilities include all operational buildings (excluding schools), unlet land and certain properties of a public nature which are owned by the Council but occupied by other bodies (e.g., the Bridgewater Hall). The Facilities Management Team responsibilities cover all of the Estates Team portfolio. Additionally, they deliver services to schools and other facilities that are not part of the Corporate Landlord model.
- 3.3 The impact of the Covid-19 pandemic has had a significant impact on the operational estate this year, and the Estates and Facilities Management Service. A number of key projects and areas of work were delayed; in some cases, projects were delayed while safe site working practices were developed; in other cases, resources were shifted to focus on new priorities. In the early stages of the pandemic, the teams worked closely with Health and Safety colleagues and building occupants to produce Risk Assessments for each building in the operational estate, setting out the approach to making the accommodation Covid secure. The service rapidly rolled out a package of measures including a new cleaning specification, self-cleaning packs for staff, hand-sanitiser stations, additional soap dispensers and safety signage across the estate. Alongside HR and Health and Safety colleagues, guidance for staff and managers on building occupancy and other control measures was quickly developed. Reactive cleaning measures were developed, and compliance visits were put in place (and are ongoing) to ensure control measures were being implemented.
- 3.4 Whilst many teams across the organisation had to quickly adapt to working from home, many front-line services continued to work from site. The Facilities Management service have continued to work from site throughout the pandemic, working hard to maintain the estate and ensure it remained clean, safe, and secure. During these challenging times the Housekeeping teams in particular have worked incredibly hard, and made a huge contribution to keeping the estate Covid secure.

Operational Estate Activity

- 3.5 In response to the pandemic, the team has supported the roll out of testing and vaccination sites across the City. Working with public health and NHS partners, sites were identified, occupation agreements finalised and latterly with the targeted asymptomatic testing programme, sites mobilised with the Army and Healthworks/Aspire. The Council sites have included the Mass Vaccination facility at the Regional Tennis Centre, testing sites at Brownley Road Car Park (Wythenshawe) and Platt Fields Park and the Targeted Testing facilities in Moss Side Leisure Centre and at the Rates Hall in the

Town Hall Extension. The mobilisation of these sites has been a collaborative effort with colleagues across the Council, NHS partners and our contractors and suppliers.

- 3.6 Despite the disruption caused by the pandemic, the refurbishment of Alexandra House was completed on programme and the newly refurbished offices opened in February 2021. The building provides a new reception, ground floor training suite and eight floors of modern, open-plan office space. The mechanical and electrical services have been upgraded, together with the lifts, external elevations and windows, and new toilets, staff break-out areas, cycling facilities and showers created. The energy efficiency of the building has been significantly improved, with an expected reduction in energy use of 70%. Although the building is only minimally occupied at the current time due to Covid-19 restrictions, virtual tours of the building have been provided to staff. Much positive feedback from staff have been received about the refurbishment. In February the building served as a base of operations to support the enhanced community testing across parts of Hulme, Moss Side, Whalley Range and Fallowfield.
- 3.7 The adjacent car park serving Hulme High Street has also been upgraded as part of the project and opened to the public in February. The water ingress issues have been addressed, the mechanical and electrical systems upgraded, and a new passenger lift installed in order to reinstate level access between the car park, Hulme High Street and the Library and Leisure Centre.
- 3.8 The 'decant' accommodation (space leased in to accommodate staff whilst Alexandra House was refurbished) at City Road East has been vacated, decommissioned, and the lease ended, freeing the site for onward development.
- 3.9 The service has continued to support the development of the new Gorton Hub. This new build proposal for Gorton will see Primary Care, Integrated Health and Care Neighbourhood Teams, Mental Health Services, Job Centre Plus, Gorton Library, the Manchester Adult Education Service and One Manchester co-locate in a new integrated public service building.
- 3.10 The scheme is overseen by a Partnership Board, which includes all the public services that will occupy the building. A significant effort has been invested in developing both the design to RIBA stage 4, and the business case, which was approved in February 2020 by each of the public services. Unfortunately, the outbreak of the pandemic and the resulting first national lockdown put the project on hold. Whilst the project was paused, it became apparent that partner requirements within the hub were likely to be significantly impacted as a direct impact of the pandemic upon service provision. At the end of July 2020, the Executive approved the Gorton Hub development to restart, subject to contract review to include provisions for Covid-19 and reviewing the need to rescope of the scale of the project with partners. Between August and November 2020, the Gorton Hub partners have met with the Project Team in order to review the relevant floor plans and confirm any revised requirements on a service by service basis. The impact of changes on the design and

business case were reviewed throughout December and January, and a way forward for the project agreed. The contractor has now been re-engaged and are preparing to start on site. The Partnership Board has re-convened and will meet monthly from May to oversee delivery of the scheme.

- 3.11 The service is leading the plans for the refurbishment of Hammerstone Road Depot, which will ensure that Hammerstone Road becomes the Council's primary depot. The refurbishment of the site includes replacement of the roof, new mechanical and electrical installations, and the creation of new accommodation in the main shed. The scheme will also remove all the life-expired portakabins on site, involve demolition of the poor quality Coca-Cola building, as well as ensuring that the hard standing across the site is fit for purpose. The scheme will enable the rationalisation of the depot estate, with teams moving over from Hooper Street to the newly refurbished Hammerstone Road facility. Again, the impact of the pandemic has caused a delay to the project, with an initial hold period followed by a period of review with the stakeholders and redesign work. However, the project is now well into RIBA stage 4 design, with a logistics plan in place to support the operation of the depot during refurbishment. A planning application has been submitted. Decant of the main Loco Shed is underway and start on site is expected to commence in July 2021. While design work has been completed, new Electrical Vehicle charging points have been installed at the depot (as well as at Longley Lane Depot) in order to support the use of Manchester's first electric Refuse Collection Vehicles.
- 3.12 The former children's centre on Seymour Road has been converted into a new, fit for purpose, base for the Leaving Care Service. The building, now named by the young care leavers as The Beehive, provides a new reception, office space for staff and contact space for care leavers on the ground floor, with 6 residential units on the first floor. The scheme has improved the offer available to care leavers, while introducing a dedicated residential offer has reduced the costs of bought in supported accommodation. Staff also benefit from newly refurbished workspace, and their reactions have been positive to their new base.
- 3.13 The Intensive Supervision and Surveillance team (part of the Youth Justice Service) works with young people from across the City and as a result required a City Centre location from which to deliver services. Estates worked closely with the service to identify appropriate premises and secured a 5 year lease on space at Commercial Wharf which is located within the Deansgate Ward. The new premises have been fitted out and is now operational.
- 3.14 At the start of the pandemic, the customer service centre on the ground floor of the Town Hall Extension closed, and all customer enquiries moved to online and telephone channels. This, and the introduction by the ICT Service of the new 8x8 telephony system, gave the team the opportunity to review their operating model. The customer service centre will now move to an appointment based system, meaning the overall footprint required is significantly reduced. The Estates and Facilities Service have worked closely with the Customer Service team to explore options for a new layout, with a

reception point and appointments taking place in the existing interview rooms. This has freed up a large area of the former customer service centre for use by the Elections Team, which they have used for the Elections held this month with enough room to work within social distancing guidelines. The elections and new customer service spaces are separated by a partition. The Estates Team are exploring longer term options for the elections space, including the creation of additional meeting and collaboration space.

- 3.15 The Estates and Facilities Service continue to work closely with both Manchester Health and Care Commissioning (MHCC) and the Manchester Local Care Organisation (MLCO) partnerships to create both medium and longer term estate capacity for their HQ functions. Prior to the pandemic the team were working to support the MLCO to relocate as they had outgrown their interim space at Fountain Street. The Estates team was also supporting MHCC with a reconfiguration of their offices at Parkway 1 and 3. Discussions were underway with both partnerships to look for solutions in the longer term that would facilitate a joint HQ space for integrated Health and Social Care.
- 3.16 Whilst the pandemic slowed this work, the MLCO have been relocated from Fountain Street, to dedicated space at Bridgewater House, reducing costs. At Parkway, MHCC has halved their office footprint. The Estates Team have worked alongside the HR and staff engagement workstreams as well as their ICT service to create a new office layout that will support three main functions: onsite desk based working (for all staff whether permanently office based or only 1-2 days per week); additional capacity for meetings; and a dedicated flexible area for larger collaborative activity such as workshops or staff briefings. Alongside this, the team are working with staff still based at the THX to ensure the space there supports the future ways of working for all MHCC staff, regardless of site.
- 3.17 The Estate Team have continued to support to the VCSE sector through the Community Asset Transfer programme. The team have completed four asset transfers; a lease has been completed for the Crossley Street Centre, enabling the Manchester Congolese Organisation to deliver a range of community activities to the local residents and community, from training and advice support for young people and over 50's to a homework club for children; Northenden District Library, let to Northenden Players Theatre Club offering art, drama and community activities including theatre facilities for local companies to hire; Slade Lane Neighbourhood Centre, leased to Myriad Foundation, delivering various community based activities ranging from training and educational workshops, befriending and outreach services, health awareness events, as well as a foodbank; the former Longsight Youth Centre, leased to Manchester Vineyard, to provide training and support opportunities for both adults and children, along with a free community café space for the local residents. There are also six other community asset transfers that are currently in development with community groups working collaboratively with colleagues in Parks and the Neighbourhood Teams.

Facilities Management Service

- 3.18 Facilities Management have delivered over 18,000 service requests via the FM Helpdesk this year, with 97% of these requests delivered within the agreed target deadlines meeting the service level agreement. The service has continued to deploy technology to improve business processes. Work requests to contractors and subcontractors are now managed via handheld devices, allowing real time updating of job progress by engineers onto our CAFM (Computer Aided Facilities Management) platform.
- 3.19 The service has supported all the projects described in the section above, particularly in respect of building management strategies and transition from construction projects to live operational sites, helping to assist with good operational management that meets building users' expectations of safety, comfort, and secure working environments.
- 3.20 The FM service was instrumental in delivering revised working arrangements to ensure Covid safe working practices across the estate, including assisting colleagues to provide corporate wide Risk Assessments and Safe Working Practices for building users, and the installation of equipment and adaptations to ensure Covid-19 secure buildings, including the delivery of a high-quality enhanced cleaning service.
- 3.21 This year, the service arranged and delivered a training event for contract partners to ensure the supply chain understood and engaged with the Our Manchester principles and behaviours.
- 3.22 Following a robust tendering process the contract for Security Management was issued to the successful bidder, Mitie Security, in April 2020. Facilities Management have worked with the new provider to ensure a seamless transition between providers, including the transfer of the workforce to the new organisation, and the transfer of the Admitted Body Pension Scheme to the new supplier. Mitie currently successfully deliver 5091 hours of security provision per week across 30 locations and have attended 887 Alarm call outs during the period April 2020 to Jan 2021.
- 3.23 Working with Mitie over the past year, the service has introduced new processes and service improvements. This includes carrying out a full skill gap analysis, and delivering a programme of re-training to all security personnel; integrating the CPAD system across the entire Security Contract to support stakeholders to raise security request via the 'Report it Online' portal on the intranet; rolled out Mitie's own 'Merlin Incident Management' software across the estate providing meaningful dashboards of activity across the city's Parks and Car Parks; instigated a programme of electric vehicle rollout, with 50% of the Mitie vehicle fleet now electric and the remainder to be introduced in the new financial year; and introduced a staff award programme, funded by Mitie, to the value of £8,000 a year.

- 3.24 In addition, Facilities Management have delivered the transfer of the City Centre CCTV Public Realm from NML Joint Venture to Mitie, including the TUPE transfer of 36 personnel.
- 3.25 The Mitie contract has delivered several Social Value initiatives since April 2020. These include 25 staff volunteers supporting the Wythenshawe Waste Warriors litter picking initiative, including free provision of tabards, first aid kits and pickers, plus a donation of £1071 to support with premises costs and development of social media platform; secure distribution of school meal vouchers pre and post-Christmas as part of the Covid-19 response; supporting Wood Street Mission with delivery of Christmas presents; £1000 donation to the “Manchester Big Change Initiative”; and a £1000 donation to the Shared Health Foundation for community project support within Manchester.
- 3.26 The Facilities Management Service manage the planned and preventative maintenance programme and the reactive maintenance programme for the operational estate working with the supplier Engie. This year the service has fully implemented building maintenance compliance to the SFG20 standard across the corporate estate. SFG20 is the recognised industry standard for planned maintenance of building engineering services. It is the benchmark for working standards; providing building managers and contractors with the tools to keep buildings properly maintained and compliant. Facilities Management have worked with the Capital Programmes Service to put in place a process to manage delivery of minor capital works through the FM Helpdesk, and have currently delivered eight projects to the value of £210k.
- 3.27 Facilities Management and Engie have provided ongoing assistance with the Covid-19-Secure programme, helping to install the additional cleaning equipment required around the city to allow workplaces to successfully open as Covid Secure sites. This has included ongoing maintenance to keep buildings safe during building closures, such as additional water hygiene requirements (flushing, sampling and tank cleans including chlorination prior to re-openings).
- 3.28 Engie and Facilities Management continue to support the Carbon Reduction Programme (described in more detail later in this report). Engie have installed a total of 37 electric vehicle charging points over 3 locations: Hooper Street Depot, Longley Lane Depot and Hammerstone Road Depot. This has been in conjunction with FM and Capital Programmes. These provide charging facilities for the new Biffa waste fleet (Longley & Hammerstone), with FM, MCC and partner fleet facilities at Hooper Street Depot. Both Engie and FM are operating electric vehicle fleets and are working on the removal of fossil fuelled vehicles. Facilities Management and Engie continue to support the Civic Quarter Heat Network (CQHN) programme, particularly around the engineering requirements of MCC building plant. The teams have worked in partnership with the CQHN contractors to allow successful connections to current building systems. This work is ongoing, with the Manchester Art Gallery being carefully monitored to ensure that humidity and temperatures can be controlled during any isolation and connection works.

- 3.29 The Engie contract has continued to deliver social value throughout the year, working within Covid-19 guidelines. This year Engie has sponsored the Manchester Homeless scheme, raising money towards the construction of homeless pods in Manchester via an Iron man triathlon involving Engie and FM staff. Engie runs a 'Helping Hands' programme which provides support to care leavers and has recently decorated a flat to support a young lady moving into her first home. They have provided training and support, where following this the young lady has managed to secure employment. Engie support the 'Dreams Come True' charity and staff volunteers recently built a summer house complete with full electrical supplies of lighting and power for a young man with complex learning difficulties. They are working closely with: The Manchester College, MCC Adult Education, MCC Employment & Skills Team, GMCA Youth Task force and The Back on Track charity; providing virtual work experience, mentoring circles, careers workshops, mock interviews, and work placements. When lockdown restrictions end, Engie will be offering over 500 hours of volunteering throughout Manchester and have already committed to a large-scale tree planting scheme. They will be working closely with the City Council to deliver Manchester priorities.

Asset Management Programme Update

- 3.30 The Estates Team are responsible for the Council's annual Asset Management Programme (AMP) of capital replacement for operational property. Works are evidence based and prioritised using data on the condition of property, feedback from occupying services, and through inspection, to ensure we continue to meet statutory responsibilities for all operational property. The programme supports key priorities including the quality of the Council's service provision, employment, health and well-being and carbon efficiency, as well as ensuring our valuable operational assets play their part in promoting Manchester as a great place to live, work and enjoy.
- 3.31 Since 2016/17, measured building surveys have been completed for over 250 properties. Working closely with services, Capital Programmes and FM, Estates have developed an understanding and knowledge about operational properties which has informed the development of the AMP ensuring it is evidence based, aligned to business need, timely and cost efficient.
- 3.32 Due to the nature of investments commissioned through the AMP, works can often take place over two or more financial years. In 2020/21, the programme saw 17 schemes completed, with a further 24 schemes starting on site, and 11 schemes in design. Examples of projects completed in 2020/21 include: replacing the jetty and slipway for the Ghyll Head Outdoor Activities Centre, to support the re-opening this year; replacement booms, structural work for the spectator gallery and replacement fire doors at the North City Leisure Centre; replacement pulleys and cables for the lifting pool at the Manchester Aquatics Centre; replacement safety glazing at Manchester Art Gallery and Etrop Court; water booster plant replacement at the Z-Arts Centre; replacement roof panels at Wythenshawe Forum; replacement CCTV at the Bridgewater Hall; and the completion of priority roof safety works at the Etihad Tennis Centre for use as the north west NHS vaccine centre. Other schemes in progress include roof

work at New Smithfield Market; fire safety improvements at the Hall Lane Centre; structural and safety projects at St James's churchyard, Millgate Lane and Stenner Lane; and works across a range of heritage properties including Clayton Hall, Phillips Park Chapel, Heaton Park Temple, Wythenshawe Hall, and Platt Hall.

- 3.33 The 2021/22 programme includes end of life replacement at several high footfall properties where design commenced during 2020 and which are planned to start on site during 2021/22. This includes works at the National Football Museum (air conditioning), Bridgewater Hall (chillers and pump system), House of Sport (urgent mechanical, electrical and fabric replacement), design for the National Cycling Centre and Manchester Aquatics Centre refurbishment to RIBA Stage 4, and Z-Arts (roof panels replacement). Other works prioritised from the condition surveys includes the City Art Gallery (stonework, drainage and services), safety works at Longsight and Gorton Markets, fabric works at heritage properties within cemeteries and properties within parks. Schemes of work which were delayed during the pandemic, including at some leisure facilities, Sharp and Space, are planned to commence during 2021.
- 3.34 During 2020, Estates, working closely with Early Years, commissioned and managed a programme of condition surveys for over forty Early Years settings across the city. A report on the priority works has now been provided, and planning is underway for inclusion in the future programme.
- 3.35 In all, over fifty projects included in a £13m capital replacement programme to the Council's Operational Estate are currently underway, in design or planned to commence on site during 2021/22.

Carbon Reduction Programme

- 3.36 The 20/21 Carbon Reduction Plan comprises a £7.6 million capital investment in energy conservation measures across 11 buildings which will deliver circa 1,300 tonnes of annual CO₂ savings. Installations were delayed slightly by the first national lockdown, but have now been delivered. Leisure centres are some of our most energy intensive buildings and eight have been upgraded with energy conservation measures this year: Wythenshawe Forum; East Manchester Leisure Centre; Hough End Leisure Centre; Arcadia Sports Centre; Moss Side Leisure Centre; North City Family and Fitness Centre; Belle Vue Sports Centre; and Manchester Tennis and Football Centre. The improvements cover a range of measures such as upgrading to LED lighting, improving lighting controls, upgrading Building Management Systems, and installing variable speed drives, as well as solar panel installations at seven of the sites, and an energy efficient combined heat and power plant at the Wythenshawe Forum.
- 3.37 In addition to the leisure estate, the lighting in the Town Hall Extension, our largest building, has been upgraded to LED, and new controls installed. The large buildings at the Space Project and Sharp Project are also being improved, the former with a large solar panel installation which is underway;

the later with solar panels, lighting and building management systems, which will be completed the first quarter of next the financial year. As described earlier in this report, Alexandra House (our largest office outside the Town Hall Complex) has been comprehensively refurbished and re-opened in February, with fabric improvements, improved mechanical and electrical systems and LED lighting which will reduce carbon emissions by 70%. Electric vehicle charging points have also been installed at the Hooper St, Hammerstone and Longley Lane Depots, to support the increasing electrification of the Council's vehicle fleet. The team are also piloting novel heating and hot water technology with HydroZero, a UK company. This pilot uses hydrogen and plasma to produce heat via an electrochemical reaction and has significant potential to provide a viable alternative to gas going forwards. HydroZero have installed a boiler at Gorton Library, and monitoring of cost and carbon savings is underway.

- 3.38 The Council joined a Greater Manchester consortium to bid to the Government Public Sector Decarbonisation Scheme and identified projects in 11 Council buildings with a focus on decarbonising heat, with successful projects needing to be completed by September 2021. Notification that the bid was successful was received on 1st March 2021. The MCC allocation was £19.1m. This investment, coupled with further building energy audits and investment cases, will form the basis of next year's programme.
- 3.39 The Council successfully attracted over £1.2 million of European Regional Development Fund (ERDF) which is being matched to the Council's capital investment to deliver a large rooftop solar scheme and battery storage at the Hammerstone Road depot, and Solar PV on car ports at the National Cycling Centre. These projects will deliver circa 415 tCO₂ savings annually when complete.
- 3.40 A summary of the carbon savings by building, and by energy efficiency measure, for the 20/21 Carbon Reduction Programme are shown in the charts below. Solar PV and LED lighting are responsible for around two-thirds of the total annual carbon savings.

Building	Annual Saving (tCO₂)
Wythenshawe Forum	297
Town Hall Extension	169
East Manchester Leisure Centre	101
The Sharp Project	295
Space Project	112
Hough End Leisure Centre	74
Arcadia Sports Centre	59
Moss Side Leisure Centre	23
North City Family & Fitness Centre	50
Belle Vue Sport Centre	123
Manchester Tennis & Football Centre	23
Total	1326

Technology	Annual Saving (tCO2)
Solar Panels	513
LED Lighting	425
Lighting Controls	20
Building Management Systems	68
Variable Speed Drives	205
Pipework Insulation	1
Boiler Upgrade	12
Transformer Tap Down	4
Combined Heat and Power	47
Heating Controls	9
Pool Cover	22
Total	1326

- 3.41 The Capital Gateway approval process and the Capital Strategy have been amended to reflect the Climate Emergency and Climate Change Action Plan. The Manchester Low Carbon Build Standard has been developed with input from the Estates and Facilities Service and is now being implemented in Capital Programmes. The standard has been endorsed by the Manchester Climate Change Agency and is supported by the Strategic Capital Board, several Portfolio Boards and external partners including the North West Construction Hub Board. This work is key to ensuring that carbon reduction is an integral part of future capital schemes, whether new build or refurbishment, from the very early stages of development and design. The same ethos is applied to the Estates Asset Management Programme.

Systems and Records Update

- 3.42 CPAD is the Council's Property Asset Delivery system. The system has continued to grow and provide tangible benefits to the authority in the area of property management and information management. In preparation for the 10 year anniversary of system use, the CPAD Team have been planning and undertaking a number of system and data audits, including a full reporting audit, workflow audits, and system updates. This includes a new look document management module and testing a brand new system user interface (to be rolled out Spring 2021). Continued work to support the condition survey project has allowed a large amount of operational site spatial data to be improved and updated.
- 3.43 In addition to the work detailed above, the CPAD Team have continued to support remote and onsite working by system users, including day to day system support for Facilities Management, Estates and Development, and other users, and additions to Case Management to allow electronic sign off for property transactions. The Team have also worked with ICT to correlate site address data for the Network Refresh Project.
- 3.44 The Records Team continue to make good progress in identifying and cataloguing residual parcels of land across the city. In 20/21, 127 sites have been identified in Harpurhey and Didsbury East. This is in addition to a further

393 sites in Ancoats and Beswick, Ardwick, Baguley, Brooklands, Burnage, Charlestown, Cheetham, Clayton & Openshaw, Didsbury East, Harpurhey, Northenden, Sharston, and Woodhouse Park.

- 3.45 The work above has been undertaken alongside the business as usual activity of providing information to the organisation in respect of property ownership, transfers and other property transactions. In 20/21, the Records Team added 863 additional transactions to CPAD, 1195 additional sites; completed 561 site histories; and answered 930 enquiries. The team continue to provide services to other departments and members of the public with a range of enquiries.

Town Hall Project

- 3.46 The Estates and Facilities Service support the Our Town Hall Project, with two full time team members forming part of the client team. The OTH Project is proceeding through RIBA work stage 5 of construction as planned. The management contractor, Lendlease, are well into their delivery programme despite considerable challenges in creating a covid safe environment in which work could continue without disruption. Most of the activity currently involves soft strip and strip out of previous infrastructure including mechanical electrical and plumbing. The Town Hall's historic Cavaille-Col organ has also been completely removed from the Great Hall, with the room fully scaffolded and all the historic luminaires removed. Some structural work has commenced on the lower ground floor where all the primary plant for the building will be located. The mains power has now been isolated from the building, and remaining life and security systems now run from a temporary substation. The site is now fully hoarded, and external scaffolding is nearing completion to the top of the clock tower and roof levels of the grade one listed structure.
- 3.47 As part of the 'soft landings process' the team are already considering the reoccupation of the building in 2024 and how this will be coordinated with the main construction programme. Project engagement continues with all the key stakeholders to ensure that the new facilities meet client requirements and that they are coordinated with any reoccupation plans or expectations. Up and coming major structural work during the next twelve months will include creating the structural cores for the new passenger lifts which will in the future significantly improve access in and around the building, and there are also some early works commencing in Albert Square. The Estates and Facilities Service continue to have close day to day involvement with this landmark project for the people of Manchester.

Future Ways of Working and Estate Rationalisation

- 3.48 The pandemic has drastically changed the way the estate is being used. As we move into recovery post Covid-19, the majority of operational buildings will re-open. However, different ways of working will change the nature of the offices in the estate post-Covid-19 in particular. The future will involve a more blended mix of onsite and remote working for many office based staff. The challenge is to build on the cultural and technological changes to ways of working, and to take the best of what has been learned, whilst tackling the

challenges, and to replan a smaller, higher quality, lower cost and lower carbon office estate.

- 3.49 This work involves rethinking how offices are used and fitted out. Office space will increasingly be used to support collaboration and connection rather than dedicated desk working. Quiet facilities for video calling and virtual meetings will become more important, and flexible spaces that can provide choice and a mix of uses will be key.
- 3.50 One of the benefits to this approach is that the amount of more expensive, leased office space required can be reduced, and this can reduce costs to the Council. Initially this work is focused on areas that can deliver benefits quickly. For example, the service agreed with Children's Services to relocate staff from leased accommodation at Universal Square into a smaller space in the Town Hall Extension. This higher occupancy rate makes better use of our office resources – and the smaller space was redesigned with different furniture layouts, codesigned with the occupants, to support more flexible working styles. These moves have been completed, and the lease at Universal Square ended, releasing a saving. The next relocations will focus on disposing of leased office space being used for the Town Hall decant.
- 3.51 A number of principles underpin this work. Most importantly, there is no 'one size fits all' approach to ways of working. Whilst all staff can have access to flexibility, working arrangements will be different depending on the type of work and business need. In addition, physical offices remain the cornerstone of our estate strategy, rooting teams in the localities they serve, creating a vibrant and visible presence across Manchester's communities.
- 3.52 A group bringing together Estates, HR and ICT colleagues has been formed, led by an SMT sponsor, to help shape these future ways of working. Their work programme will include working with service areas to replan how their office space can be improved to make the most of new working practices and new technology. Alongside estate changes, the work will also include providing managers with the skills to manage a workforce who work in an increasingly blended way; drive a culture that is high trust and open to different ways of working; test different approaches to meetings; ensure staff have the right tools to do their job wherever they work; and ensure staff have tools to engage with their peers, their managers and the organisation.
- 3.53 This report has already set out a number of projects that will support the overall rationalisation of the estate. These include the recently completed refurbishment of Alexandra House, which has increased capacity at that building, and (alongside moves within the Town Hall Extension) was key to disposing of leased in office space at Universal Square and will support the disposal of leased office space being used for the Town Hall decant. The Gorton Hub project will, when completed, support the replacement of Gorton Library and Gorton South District Office with new, higher quality facilities. The Hammerstone Road project will support the rationalisation of depot space. Other rationalisation projects underway include reviewing how the Family Contact service operates. This has already supported the rationalisation of one smaller property, and will enable rationalisation of another in the new

financial year. Finally, a review of district offices is underway. With all the changes, a more fundamental review of the operational estate is planned for 2021/22.

4.0 Conclusions and Recommendations

- 4.1 This report sets out an update on property activity since the last Annual Property Report in November 2019. The work of the property teams makes a critical contribution to delivering the Our Manchester Strategy by driving growth, and directly supports the Corporate Plan by enabling service Directorates to achieve their priorities, ensuring the effective management of the estate to support a well-run Council, and reducing carbon emissions.
- 4.2 The Committee is recommended note and comment on progress to date as set out in the report.