

## Manchester City Council Report for Information

**Report to:** Resources and Governance Scrutiny Committee –  
24 May 2018

**Subject:** Our Town Hall Project - Budget Position Update

**Report of:** Deputy Chief Executive (Growth and Neighbourhoods)

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### Summary

Previous reports to the Executive Committee and Resources and Governance Scrutiny Committee have provided regular progress reports on the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project. This report provides Members with an update on the current budget position.

### Recommendations

Resources and Governance Scrutiny Committee is recommended to note:

1. The current financial position, both revenue and capital related budgets, including adjustments to date; and
  2. The Financial Governance arrangements.
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### Wards Affected:

All

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**Background documents (available for public inspection):**

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

- Report to Executive Committee – Town Hall Complex Strategy – 23 July 2008
- Report to Executive Committee – Town Hall Complex Programme – Transforming Customer Experience – 11 February 2009
- Report to Executive Committee – Town Hall and Albert Square Maintenance Programme – 1 October 2014
- Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 27 July 2016
- Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 16 November 2016
- Report to Executive Committee – Capital Programme (Budget 2017/18 – 2021/22) – 11 January 2017
- Report to Executive Committee – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 8 March 2017
- Report to Resources and Governance Scrutiny Committee – Our Town Hall Social Value and Communications – 22 June 2017
- Report to Resources and Governance Scrutiny Committee – ‘Our Town Hall’ – 7 September 2017
- Report to Executive Committee – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 13 September 2017
- Report to Resources and Governance Scrutiny Committee – Manchester Town Hall and Albert Square ‘Our Town Hall’ – 9 November 2017
- Report to Resources and Governance Scrutiny Committee - Manchester Town Hall and Albert Square ‘Our Town Hall’ – 1 February 2018

## 1.0 Background

- 1.1 Manchester Town Hall is an internationally significant landmark and Manchester's greatest cultural and civic asset. The building is Grade 1 listed and considered to be one of the masterpieces of Victorian architecture, viewed by the people of the City and visitors as the civic heart of Manchester. As previously reported, the Town Hall, whilst structurally sound, now has many elements reaching the end of their natural lifespan. It has been agreed that significant refurbishment is now required to rectify the identified defects and to protect the building for the benefit of future generations of Mancunians.
- 1.2 In November 2016 Executive considered the options for the Town Hall with the recommended option being the full repair and upgrade to modern standards and partial restoration of the Town Hall and Albert Square.
- 1.3 The Council's overall objectives for the refurbishment of the Town Hall and Albert Square are:
- To secure the long term future of the Manchester Town Hall, its civic role and its external setting.
  - To retain and enhance as a functioning and efficient Town Hall.
  - To restore and celebrate this significant heritage asset for Manchester.
  - To enhance the use of the building as a visitor destination and increase access to Mancunians.
  - To transform users and visitors' experiences.
  - To reduce carbon footprint and energy costs.
  - To maximise commercial opportunities and offset costs to the public purse.
  - To deliver economic and social value for Manchester.
- 1.4 Previous reports to Resources and Governance Scrutiny Committee have provided detail on the progress of the Our Town Hall project. This report is to update members on the current financial position of the project and proposed financial governance arrangements.
- 1.5 The estimated overall budget for the Our Town Hall project, both capital and revenue related spend, is in the region of £330m. As at February 2018 this is comprised of £305m capital, £970k items which cannot be capitalised funded via the Capital Fund and a revenue budget of £20m - a total of £326m.
- 1.6 The following table summarises the budget position. The gap budget has been set aside for any scope change of works, whereas the contingency budget relates to unknown works and discoveries made during the course of the project. The inflation budget is to be used over the course of the project to deal with market factors.

Type of Spend	OTH – Budget Area	Budget £000
<b>Capital</b>	Construction Budget	155,410
	MCC and Professional Fees	30,316
	MCC Client Direct Works	1,787

Type of Spend	OTH – Budget Area	Budget £000
	Gap	39,107
	Contingency	41,445
	Inflation	37,069
	<b>Total Capital</b>	<b>305,134</b>
<b>Revenue</b>	Decant	17,071
	Other	3,927
	<b>Total Revenue</b>	<b>20,998</b>
	<b>Total OTH Budget</b>	<b>326,132</b>

- 1.7 The drawdown of the funding will be subject to separate business cases or briefing notes to be taken through the checkpoint process, and to be agreed by the Strategic Capital Board with subsequent approval from the City Treasurer and the Executive Member for Finance. The use of contingency, gap and inflation will be subject to separate approvals.

## 2.0 Budget Adjustments and Approvals

- 2.1 Since the start of the project there have been a number of budget adjustments between capital and revenue and allocations from elements of gap and contingency, these are shown in the table below with a more detailed explanation in each section:

Agreed Budget Adjustments	Total £'000
<b>Use of Gap</b>	
Direct Costs - Client Side Team	2,040
<b>Use of Contingency</b>	
Direct Costs - Design Team	377
Town Hall Extension Cafe	250
<b>Movements between Capital and Revenue</b>	
Design Team Expenses	250
Communications Budget	350
SRO Costs (funded from capital contingency allocation)	370

- 2.2 Further funding of £2.04m has been allocated to strengthen the client side team over the seven-year period of the project. Originally the costing proposals assumed that a proportion of the client side input could be found from within existing capacity. As the project progressed further work was undertaken with senior managers to consider the resource requirements to deliver a project of this scale and complexity. As a result, dedicated resources from areas such as

Heritage, Facilities Management, Finance, Communications and Business Support were built into the project costs.

2.3 The movements between capital and revenue represent items which cannot be capitalised and are revenue funded via the capital fund as follows:

- Design/Consultant Appointment costs - £250k
- Communications and Engagement £350k – revenue communication related activities to be undertaken during the life of the scheme including the procurement of a creative commission to oversee communication activity over the lifetime of the project, the development of orientation space to provide visitors with a virtual tour of the building and maximising resident, staff and business engagement activities.
- Client side Senior Responsible Officer £370k - contribution towards the salary cost of the Senior Responsible Officer (SRO) for the seven-year period of the project.

2.4 There has also been an allowance of an additional £377k for the professional design team as tenders came in slightly higher than the initial budget and for £250k for the addition of the cafe.

### 3.0 Capital Budget

3.1 The table below details the actual spend and the current profile of the budget requirement to the completion of the project in 2023/24.

	Actuals	Forecast						Total
	£m	£m						
	@ 31.03.18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
Capital	3.967	15.828	20.402	70.000	95.585	78.286	21.066	305.134

3.2 The project currently has capital expenditure approval for £32.29m as detailed in the table below.

Capital Expenditure Approvals	Total
	£m
1-Design Team All RIBA Stages/Client Team and Other Consultants to RIBA Stage 2	21.00
2-Town Hall Extension - Development of Café Area	0.25
3-Other Consultants Technical Assurance to end of Scheme and Client side costs RIBA 3 to end of scheme	10.24
4-Advanced Works and Specialist Surveys and Soft Strip (removing items from the room that does not impact on the fabric of the building)	0.80
<b>Total</b>	<b>32.29</b>

- 3.3 Following the appointment of Faithful and Gould as the Quantity Surveyors at the start of RIBA Stage 2, the budgets have been aligned with Target Value Design (TVD), developing a series of design clusters that contain the various work packages that will be undertaken by the Management Contractor.
- 3.4 The costs within each of the work packages are being reviewed in line with current market rates and tested through soft market testing and then challenged by the Technical Assurance panel, to ensure they are as robust as possible at Concept Design (RIBA Stage 2). The design team are currently finalising RIBA Stage 2 design and the budget will be re-based to reflect the concept design and the decisions that are taken up to that point. This process will continue through the various design stages of the project. It is expected that the costs will remain within the overall cost envelope of £305.1m
- 3.5 The next anticipated capital spend approval request will be for the appointment of the Management Contractor, which is anticipated to be in November 2018. The appointment of the Management Contractor has progressed to the invitation to submit outline solution (ISOS) stage. This will involve a process of competitive dialogue with the two companies being taken forward.
- 3.6 Following the Management Contractor's appointment, there will be a period of enabling work, such as temporary services to the building, demolition and structural alterations, along with stripping out of services from the building where approvals will be sought for the activity to commence by March 2019.

#### 4.0 Revenue Budget

- 4.1 The revenue budget (including the capital fund element) totals c£21m as per the table below.

OTH Revenue Budget	Actuals as @ 31/03/18 £'000	2018/19 Forecast £'000	2019/20 Forecast £'000	2020/21 Forecast £'000	2021/22 Forecast £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	Total £'000
Revenue	3,558	4,643	2,804	2,427	2,211	2,228	3,127	20,998
Funding:								
Capital Fund	115	179	113	121	109	108	226	970
TH Reserve	3,444	4,465	2,691	2,306	2,102	2,120	2,901	20,028
Total	3,558	4,643	2,804	2,427	2,211	2,228	3,127	20,998

#### Decant

- 4.2 A decision was taken early in the Our Town Hall project that all staff, members and partners should be vacated from the building for the duration of the construction works. The planning and delivery of the Town Hall decant has been progressing for the past 21 months, and is nearing completion.

- 4.3 The decant budget is £17.071m which includes a contingency figure of £1.4m. Access to the contingency requires the approval of the Strategic Board and City Treasurer.
- 4.4 Since the last update to the Committee in February 2018, the Decant Team has relocated all remaining services from the Town Hall with the exception of the Coroner and the Town Hall Project Team. The latter will remain in the building until the construction works are ready to commence. All the surplus office furniture has been removed from the building and decommissioning of ICT services is underway.
- 4.5 The Coroner's Service and School Appeals Hearings will continue to use space in the Town Hall, until their new accommodation at the Royal Exchange is completed in August 2018. Access is being managed by the Facilities Management Team, and carefully coordinated with the Our Town Hall Team to ensure there is no impact on the ongoing intrusive survey and investigation works.
- 4.6 Accommodation has now been identified for the storage of the Portable Heritage Assets and currently Heads of Terms are being progressed. The first moves will be in July, with anticipated completion by December 2018. The Silver Collection will be stored separately and will be tendered in the coming months.
- 4.7 The budget includes the following assumptions:
- that the lease for Bridgewater House can be terminated at the break point (i.e. year three, October 2020) of a five-year lease and no further costs will be incurred. The Estates Team is working with the services occupying Bridgewater House to manage this risk and ensure onward moves are identified and completed within the original three-year timeframe.
  - There is a budget allocation set aside for the storage of the silver collection, but the actual costs will not be known until August 2018, following a selective tender process. A company has been appointed to assess the level of storage required and this work will be on-going over the next month.

#### Other Revenue Items

- 4.8 The other revenue items include project office costs, design team expenses, communication and engagement work, the funding of part of the SRO's salary costs in providing input to the project and the work undertaken in storing and conserving the Portable Heritage Assets.

### **5.0 Financial Governance**

- 5.1 A governance process has been adopted for the project with decision making boards led by the Strategic Board, SMT Sub Group and the Project Board. Supporting these are a number of advisory panels such as Finance, Legal and Procurement, Design and Heritage and the Work and Skills Panel. The panels

will also have sub groups where required. The Strategic Board provides strategic direction and defines the parameters on the project. It also approves the stage end reports and provides strategic direction on key design issues.

- 5.2 A scheme of delegation and change control process covering virements and other funding allocations will be presented to the Strategic Board for approval.
- 5.3 This process will be reviewed during the life of the project to ensure the levels of approvals are in line with the requirement for the project.

## **6.0 Conclusion**

- 6.1 The Town Hall project is nearing the end of RIBA Stage 2, concept design. The work undertaken to date has provided assurance that the overall budget remains on target for both revenue and capital. The financial governance processes have been drawn up to ensure the robust management of the project's capital and revenue budgets.
- 6.2 The decant of all staff and members from the Town Hall is near to completion and the removal of portable assets will complete this year.