

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 20 July 2021

**Subject:** Our Town Hall Project – Progress Update

**Report of:** Deputy Chief Executive and City Treasurer

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**Summary**

Previous reports to the Executive and Resources and Governance Scrutiny Committee have provided regular progress reports on the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project.

This report provides Members with an update on the progress with the project since Notice to Proceed (NTP) was instructed in July 2020.

**Recommendations**

The Committee is recommended to note:

- The project has moved from a position of 60% cost surety at NTP (by value of packages procured) to 74% at end June 2021.
  - The Date for Completion has been adjusted to 25 June 2024.
  - The project cost plan (for Construction) is reporting within budget.
  - Good progress is being made with Social Value, and we are forecasting to meet or exceed the project's Social Value KPIs.
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**Wards Affected:** All

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
Our Town Hall will significantly increase its energy efficiency through the refurbishment process.
Carbon emissions per person will be reduced through increasing the efficiency of the building services and increasing the use of the building. The operational phase of the project is predicted to emit between 20,223 and 22,303 T CO <sub>2</sub> e between 2024 and 2038. The carbon emissions per person are reduced between 17% and 24% when compared to pre-refurbishment CO <sub>2</sub> emissions, and the energy consumption per head is reduced by up to 43%.

The construction phase of the project is forecast to emit 402 tonnes of CO<sub>2</sub>. This number is significantly lower than a typical construction project of this scale, through the procurement of renewable electricity for the construction period and limiting the use of diesel powered equipment.

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

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

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

1. Report to Executive – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 8 March 2017
2. Report to Resources and Governance Scrutiny Committee – Our Town Hall Social Value and Communications – 22 June 2017
3. Report to Resources and Governance Scrutiny Committee – ‘Our Town Hall’ – 7 September 2017
4. Report to Executive – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 13 September 2017
5. Report to Resources and Governance Scrutiny Committee – Manchester Town Hall and Albert Square ‘Our Town Hall’ – 9 November 2017
6. Report to Resources and Governance Scrutiny Committee - Manchester Town Hall and Albert Square ‘Our Town Hall’ – 1 February 2018
7. Report to Resources and Governance Scrutiny Committee – Our Town Hall Project – Budget Position Update – 24 May 2018
8. 2018
9. Report to Council – 11 July 2018 – ‘Our Town Hall update’
10. Report to Resources and Governance Scrutiny Committee- 06 September 2018 - ‘Management Contractor Procurement.’
11. Report to Report to Resources and Governance Scrutiny Committee – 06 December 2018 – ‘Letting of the Management Contract’
12. Report to Executive – 12 December 2018 – ‘Management Contractor Appointment’
13. Report to Report to Resources and Governance Scrutiny Committee – 24 February 2020 – ‘Notice to Proceed to into Construction.’

- 14.** Report to Executive – Capital Programme Update-Addendum to Capital Programme Update Report-Our Town Hall Project-Deferred Notice to Proceed into Construction – 03 July 2020.

## **1.0 Introduction and Background**

- 1.1 Since instruction of Notice to Proceed (NTP) in July 2020, the project has continued to work within the Covid-safe operating rules for construction. This has necessitated new ways of working in response to the ongoing working restrictions that have impacted productivity. These impacts have been largely mitigated, and the project is reporting within budget.
- 1.2 The project is approximately 40% through the construction period, and levels of labour on site are now at or near to those anticipated pre-pandemic. However, we have only been able (due to distancing) to accommodate the consultant and City Council project teams on site on a part-time basis.
- 1.3 Package procurement is progressing to plan, with £64.5m of work still to be procured. In the period since NTP, cost surety has increased from 60% (by value of works packages procured) to 74% at end June 2021.
- 1.4 The project completion date has been adjusted to 25 June 2024.
- 1.5 Despite the impact of the pandemic, the project is delivering at or in excess of its Social Value commitments, with some notable successes.

## **2.0 The position at NTP (July 2020)**

- 2.1 The decision to proceed into Construction was reported at Executive in July 2020. The report noted that NTP represented the decision to commit to the full costs of construction at £214m.
- 2.2 At NTP, the Date for Completion was set for May 2024, with 10 weeks float within the programme. It was noted that the delays encountered during the first Covid lockdown had added additional pressure to both the capital and revenue budgets for the project.
- 2.3 The project cost plan and programme was updated at NTP on the assumption that the project would recover levels of productivity by end October 2020, and specifically that further waves or a recurrence of levels of Covid infection would impact programme and cost.
- 2.4 Progress against the project's Social Value objectives were last reported to RGSC in February 2020. It was noted that the project was forecasting to achieve or exceed all of its objectives, and that the forecast Social Value ROI was £11.5m, which equates to 3.7% of the overall capital budget.

## **3.0 Progress since NTP (July 2021)**

- 3.1 The project is forecasting to budget on both Capital & Revenue: it is currently expected that the budget will be fully utilised. On a project of this size there are many parts to the budget. A summary of the latest approved position, actual spend to date and forecast against the latest budget is illustrated in Table 1.

**Table 1 – Current Capital and Revenue Budgets and Forecasts**

<b>OTH Budget</b>	<b>Budget</b>	<b>Total Spend to date to March 21</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>	<b>2024/25 Forecast</b>	<b>Total Forecast Spend</b>
<b>Budget</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>
Construction (inc Contingency Plan)	246,150	35,263	60,877	72,500	55,508	22,001	246,149
MCC -Client & Professional	35,911	19,313	4,899	3,745	5,308	2,645	35,910
MCC Direct	1,615	457	-	8	1,151		1,616
Remaining Contingency	21,496		1,936	2,156	1,854	15,551	21,497
Revenue	18,622	10,437	2,210	1,757	4,218		18,622
<b>Total Project Budget</b>	<b>323,794</b>	<b>65,470</b>	<b>69,922</b>	<b>80,166</b>	<b>68,039</b>	<b>40,198</b>	<b>323,794</b>

**3.1.1 Construction:**

- The forecasted out-turn for Construction is £233m compared to £214m at NTP. The budget for construction, including contingency is £246m.
- The forecasted out-turn includes all early warnings and change requests currently in work-flow, and there are a number of further risks that may yet materialise, including tender returns in excess of the Budget Allowance, and ongoing unforeseen issues uncovered during the Works (Discovery).
- The project has 41 packages to procure at a value of £64.5m. Early warnings have been raised relating to inflationary price rises and material shortages arising from the post-pandemic rush to build. There are significant inflationary pressures in the construction market. The latest statistics from the Department for Business, Energy and Industrial Strategy (BEIS) reflect a 10.2% annual increase in the construction material price index for the UK, and a 2.0% change between April and May this year. Such indices aggregate price movements across the wide range of construction materials, but the BEIS data shows for example, the price of concrete reinforcing bars increased by 42.8% over the year, plywood 29.8%, and structural steel by 38.1%.
- The project has identified a number of areas to try to realise savings and re-build the contingency pot.

**3.1.2 Revenue:**

- The project's revenue budget is expected to be utilised in total, and this includes the contingency allowance within the decant budget. The contingency allowance will be required to fund lease extensions at Royal Exchange and Lowry Mill.

- There is an exercise underway to assess the work required to restore the furniture collection: the final cost of this is not yet known but an update is expected late Summer.

3.2 The flexibility in the programme prior to NTP had already been reduced due to the impact of Covid-19 and nesting falcons. The construction handover date is now scheduled for Summer 2024. This reflects the ongoing impact of Covid lockdowns since October 2020, most notably with fewer personnel being able to work on site; the impact of Discovery on the critical path; delays with the completion of stage 4 design for some work packages; and the challenging market position leading to delays in appointing some Works Package Contractors as the initial tenders have been in excess of budget.

3.3 Works are progressing well on site, with notable achievements as follows:

- Access scaffold to the external envelope and the internal courtyards is largely complete, allowing for access to validate repairs to all external stone, and commencement of repairs to the 35 chimneys. The first batches of new stone have been delivered to site.
- The organ has been removed from the Great Hall to the organ builders who have commenced the 2-year restoration project. Specialist conservators are currently surveying the Great Hall ceilings.
- MEP strip-out is virtually completed.
- The heritage lighting, including the gasoliers from the Great Hall and the Banqueting Hall, has been removed off-site for restoration by the specialist contractor.
- Good progress is being made with the restoration of the timber sash windows, and the leaded windows contractor has commenced the removal of leaded windows for restoration off site.
- Significant fabric interventions are progressing in the lower ground floor, with the formation of new lift cores, underpinning works, installation of drainage and formation of new slabs.
- The Challenge Period for the Stopping Up order that will close Albert Square to traffic expired without challenge on 09 June. This is a significant milestone in enabling us to commence the works in the Public Realm, scheduled for Autumn 2021.

3.4 Despite the challenges arising from the pandemic, we remain on track against our Social Value KPIs.

3.4.1 Specifically, progress to end June 2021 is as follows:

- Local Spend – 58% of the project spend has been in Manchester against a baseline target of 40%.
- Local Labour – 34% of the current project workforce is made up of Manchester residents against a baseline target of 30%.
- New Jobs Created – 115 jobs have been created across the Project Team of which over 50% have been filled by Manchester residents,

against a baseline target of 36 new jobs. The variety of roles include procurement, commercial management, project management, ground works, scaffolding, security, logistics, cleaning, facilities, traffic management and traditional construction trades.

- New Apprenticeships – commitments have been procured to date to provide 71 apprenticeships at Level 2 and 3, against a project target of 100. Of these, 32 apprenticeships have been filled by Manchester residents predominately in traditional construction trades including demolition and scaffolding, to support recruitment regular on-site brokerage is facilitated with the project supply chain and partners from DWP, Procure Plus and The Works.
- New Higher-Level Apprenticeships – commitments have been procured to date to provide 48 higher level apprenticeships, against a project target of 50. The project has launched the new PlanBEE scheme in 2021 that builds on the success of M-Futures and will provide a continuation of the unique opportunity for residents seeking to develop a professional construction pathway.
- School Engagement – against a project target of 50, 95 sessions have been held in Manchester schools covering careers, employment and STEM. Project staff have also volunteered as mentors through the One Million Mentors scheme, STEM Ambassador Programme and the Steven Lawrence Trust.
- Work Experience – against a project target of 80, 81 placements provided for residents, school and college students including T-Level placements and Level 3 Architectural, Construction Engineering (ACE) Scholarship placements with the Manchester College and a bespoke Care Leavers Initiative with MCC's Virtual School.
- Higher Education Engagement – against a project target of 35, 16 research projects have to date been completed including the annual Manchester School of Architecture Events programme. Further engagement has seen over 1700 students provided with site visits, careers fairs, mentoring, work placements, industry insight and more.
- Volunteering – against a project target of 10,000 hours, 3,600 hours of voluntary time has been provided to support Manchester projects including Barnabus Homeless Drop-In Centre, Longsight Youth Club, Canal and River Trust, Youth Zones, COVID Food Response, The Nightingale Hospital and many more.
- Working practices – all contractors working on the project are asked to commit to paying the real living wage and avoid employing people on zero-hour contracts. The Council's Ethical Procurement Policy is embedded into the contract with Lendlease, and a monitoring framework is being developed with Unite and Lendlease to ensure that this and the



Unite Charter is appropriately reflected throughout the project supply chain.

- Using the monetary values set out in the management contract, the project team has to date delivered an ROI social value benefit in excess of £5m.
- The project is forecast to deliver an overall ROI forecast in excess of £16.5m, which equates to 5.3% of the overall capital budget. This is a substantial increase in forecast ROI compared to that forecast at NTP.

3.4.2 The project will continue to align project activity with the city's economic recovery, specifically the training and skills recovery for residents whilst continuing to challenge diversity in the construction industry and open up opportunities that are representative of our Manchester communities. Some of the future plans include:

- Recovery - Manchester City Council has identified training and skills recovery priority groups, where we have the opportunity to ringfence opportunities which are linked to resident engagement activities within the community, through neighbourhood and community links that are demographically specific.
  - Young people – at risk of or already NEET
  - Over-50s
  - Black, Asian, and minority ethnic residents
- Incentive Opportunities – take advantage of Government initiatives and incentives such as:
  - Kickstart
  - Flexi Apprenticeships
  - Skills Bootcamps
- Equality and Accessibility – OTH will continue to work with Equalities Specialists within MCC to review recruitment practises to ensure they are inclusive and accessible.
- Manchester Adult Education Service – Improve links with MAES to offer Manchester residents work based learning opportunities on site where possible. This can be targeted at MAES centres in specific parts of Manchester where the most disadvantaged residents reside.
- University Graduate Engagement – Work with Manchester universities to maximise graduate retention in the city by offering industry insight and where possible on-site opportunities at a post-graduate level.

- Artisan Studio – In summer 2021 OTH will create a physical space on site that will host planned events for residents, schools and communities to witness and participate in heritage trade activities.
- STEM Podcasts Channel – OTH in collaboration with The Manchester STEM Hub will launch a project podcast channel linking career insights and heritage significance on a platform for young people in Manchester. This follows a successful pilot in London aimed at providing proven viable engagement that is relevant to young people and overcomes the current challenges faced in relation to COVID
- Heritage Skills Lottery Funding Bid – OTH in collaboration with the Houses of Parliament Project and Historic England is planning to bid for funding to support further creation of heritage online training modules that will support the supply chain leave a legacy for local business.

#### **4.0 Summary**

- 4.1 Due to the size, duration and nature of the project, together with the form of contract, there continues to be a level of discovery and external factors affecting the project resulting in continuous risk management which will be required until the latter stages of the project.
- 4.2 These risks are carefully managed by the project team taking cognisance of all elements affecting the construction industry including restrictions necessitated by the pandemic, Brexit, material pressures, the availability of sufficient and appropriate specialists, etc.
- 4.3 Whilst the project is on budget and many of these factors have been dealt with successfully, the team will continue to monitor the situation to ensure early action can be taken to reduce any further impact on cost and programme.
- 4.4 Good progress is being made with Social Value through the design and construction phases. We have solid foundations in place to continue to deliver great Social Value and align priorities to support the City's recovery. We continue to forecast that all Social Value KPIs will be achieved and anticipate many to exceed the project's baseline targets.