

**Manchester City Council  
Report for Resolution**

**Report to:** Executive – 28 July 2021

**Subject:** Capital Programme Monitoring 2021/22

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

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**Summary**

This report informs members of:

- (a) Progress against the delivery of the 2021/22 capital programme to the end of June 2021.
- (b) The latest forecast of capital expenditure and the major variances since the Capital Programme Outturn report submitted in June 2021.
- (c) The proposed financing of capital expenditure for 2021/22 and affordability of the Capital Programme.

**Recommendation**

Executive is requested to recommend that the Council approve the virement of £1.0m within the Highways Portfolio as outlined in paragraph 7.6.

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**Wards Affected:** All

<b>Environmental Impact Assessment</b> - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

A highly skilled city: world class and home grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth	The capital programme includes investment in highways infrastructure, and broadband expansion.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

All revenue consequences are included in the current Revenue Budget.

### **Financial Consequences – Capital**

The latest forecast of expenditure for 2021/22 for Manchester City Council is £467.2m compared to the current approved budget of £485.3m. Spend as of 30<sup>th</sup> June 2021 was £43.0m. The programme is subject to continual review to establish whether the forecast remains achievable. Whilst the intention is for the City Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years.

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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 the Executive 17<sup>th</sup> February 2021 – Capital Strategy and Budget 2020/21 to 2024/25
- Report to the Executive 17<sup>th</sup> March 2021 – Capital Update Report
- Report to the Executive 2<sup>nd</sup> June 2021 – Capital Update Report
- Report to the Executive 30<sup>th</sup> June 2021 – Capital Update Report

## **1 Introduction**

1.1 The purpose of the report is to:

- Provide an update to members on the progress of the global capital programme in the three months to the end of June 2021, including activity, benefits realised, financial implications and risk;
- Provide a more detailed update on the major projects within the programme;
- Confirm that there are adequate levels of resources available to finance the capital programme.

## **2 Background**

2.1 The Executive approved the Capital Budget for the period 2021/22 to 2024/25 in February 2021. Since then, subsequent capital budget update reports were submitted to the Executive, the cumulative effects of which can be seen at Appendix B. The revised capital budget for 2021/22 is therefore £485.3m, with a further £570.2m budgeted to be spent across 2022-2025.

## **3 Contributing to a Zero-Carbon City**

3.1 To reflect the climate change emergency that the Council has declared, capital expenditure business cases are now required to include carbon measures for both during the project progression stage and the ongoing lifecycle post completion. The intention is that the carbon footprint of a scheme is considered as part of the decision-making process. This work is ongoing and will reflect the decisions taken by the Council on how it will meet the future carbon reduction targets in order to become carbon neutral by 2038.

3.2 In February Executive agreed to the adoption of the Manchester Low Carbon Build Standard for future capital projects, and this has been implemented. Work is now ongoing to develop specific measurable carbon metrics across the capital programme, for both during and post acquisition/construction phases of a project, that will enable comprehensive reporting on the intended and achieved carbon reductions created through the programme. It is intended that this will form part of these monitoring reports.

## **4 COVID-19 impact on the Capital Programme and response**

4.1 The COVID-19 pandemic has, and will continue to have, a wide-reaching impact on the Council's capital programme. The early impact has been highlighted in previous reports to the Executive, with an initial pause across construction activity and work resuming on major sites relatively quickly.

4.2 The required social distancing measures reduces productivity and increases cost as the work programmes take longer to complete and is likely to continue for the foreseeable future. The inflationary impact of COVID-19 will be absorbed through existing project contingencies where possible and further approvals sought if this proves insufficient.

## 5 Capital Programme Forecast 2021/22

5.1 The latest forecast of expenditure for the Manchester City Council Capital Programme in 2021/22 is shown in the table below. The main variances relate to active travel schemes, the Factory, Our Town Hall and Gorton Health Hub, and are discussed in more detail in the following sections.

Manchester City Council Programme	2021/22					Spend to Date
	Current Budget	Forecast at Q1	Forecast at Q2	Forecast at Q3	Variance to current budget	
	£'m					£'m
Highways	63.1	57.9			(5.2)	5.9
Neighbourhoods	37.0	36.7			(0.3)	3.4
The Factory and St John's Public Realm	56.5	53.3			(3.2)	6.2
Growth and Development	94.8	93.0			(1.7)	5.3
Our Town Hall Refurbishment	70.9	67.7			(3.2)	7.7
Housing – General Fund	15.9	15.8			(0.1)	2.8
Housing – Housing Revenue Account	31.2	31.0			(0.2)	3.6
Children's Services	45.0	44.9			(0.1)	6.5
ICT	7.0	7.0			0.0	0.6
Corporate Services	19.0	15.0			(4.0)	1.0
<b>Total (exc. contingent budgets)</b>	<b>440.3</b>	<b>422.2</b>			<b>(18.1)</b>	<b>43.0</b>
Contingent Budgets	45.0	45.0			0.0	0.0
<b>Total</b>	<b>485.3</b>	<b>467.2</b>			<b>(18.1)</b>	<b>43.0</b>

5.2 The all-years capital forecast is shown in the table below:

Manchester City Council Programme	2021/22	2022/23	2023/24	2024/25	All Years Variance to Current Budget
	£'m				
Highways	57.9	21.6	2.3	0.0	(0.3)
Neighbourhoods	36.7	33.6	15.4	0.0	0.0
The Factory and St John's Public Realm	53.3	35.8	0.0	0.0	0.0
Growth and Development	93.0	67.3	31.3	5.0	0.0
Town Hall Refurbishment	67.7	78.4	63.8	40.2	0.0

Housing – General Fund	15.8	11.6	11.0	2.7	(0.1)
Housing – Housing Revenue Account	31.0	53.6	21.0	5.5	(0.3)
Children’s Services	44.8	16.9	0.0	0.0	0.0
ICT	7.0	6.8	0.0	0.0	0.0
Corporate Services	15.0	13.8	2.8	0.0	0.0
<b>Total (exc. Contingent budgets)</b>	<b>422.2</b>	<b>339.4</b>	<b>147.6</b>	<b>53.4</b>	<b>(0.7)</b>
Contingent Budgets	45.0	10.0	37.1	0.0	0.0
<b>Total</b>	<b>467.2</b>	<b>349.4</b>	<b>184.7</b>	<b>53.4</b>	<b>(0.7)</b>

- 5.3 As shown in the table above, there are a small number of all year variances across the Capital Programme which total a net forecast underspend of £0.7m. These include £0.3m for the Beswick Filtered Neighbourhood project, due to a reduction in contingency and risk, and £0.3m for the North Manchester New Builds project which is now complete with unspent contingency. The budget will be reduced by these amounts when it is next revised, in February. There also a number of projects which are currently forecast to require reprofiling over years, which can be seen in Appendix A, and these will also be reflected in the February budget report.
- 5.4 A more focussed look at the top 10 projects is provided in Section 6 below. These projects cover 56% of the total programme. Section 7 provides details of any other material changes relating to other parts of the programme since the last report to Executive.
- 5.5 The programme contains some budgets yet to be allocated to specific projects but reserved for a particular purpose, such as Education Basic Need funding, the ICT Fund and the budget for inflation pressures. These will be allocated as the schemes are progressed and the business case for approval completed, or in the case of inflation the business case showing the impact of inflationary pressures on a scheme completed. They are then subject to approval through the Council’s capital approval process.

## 6 Major Projects

6.1 The top ten budget by value remaining are shown in the table below:

Project	Current Budget 2021/22	Forecast at Q1	In Year Variance	Spend to date 2021/22	Total Budget (All Years)	Total Variance (All Years)
£m						
Our Town Hall Refurbishment	70.9	67.7	(3.2)	7.7	305.2	0.0
The Factory and St John’s Public Realm	56.5	53.3	(3.2)	6.2	196.8	0.0
Housing Infrastructure Fund	12.5	12.5	0.0	0.0	51.0	0.0

(Victoria North)						
Collyhurst	2.0	2.0	0.0	0.0	31.2	0.0
Manchester Aquatics Centre	7.5	7.5	0.0	0.0	30.5	0.0
Co-op Academy Belle Vue	21.6	21.6	0.0	0.4	31.5	0.0
Hammerstone Road Depot	11.4	11.4	0.0	0.2	25.0	0.0
Abraham Moss Leisure Centre	8.8	8.8	0.0	0.7	24.7	0.0
Victoria North	6.7	6.7	0.0	3.0	21.9	0.0
Carbon Reduction Programme and Public Sector Decarbonisation Scheme	22.7	22.7	0.0	0.2	45.5	0.0

### *Our Town Hall Refurbishment*

- 6.2 The Our Town Hall Refurbishment project is forecasting to be within budget and the building is now scheduled to reopen in the Summer 2024. This is a change from the originally planned March 2024 as the project has faced a number of challenges including the impact of COVID-19, issues identified during the detailed discovery phase of the project and it taking longer to release some of the detailed design information than originally planned. For 2021/22 the forecast spend is £67.7m compared to a revised budget of £70.9m, a variance of £3.2m as a number of work packages are expected to start later than originally planned.
- 6.3 A total of £99.5m worth of packages have now been procured, and there are 41 packages remaining with a value of £64.5m. At this point 74% cost certainty has been achieved with the project expecting to achieve 90% cost certainty by December 2021. Risks will be carefully managed through and across the various work packages. External factors such as supply chain uncertainty, the impact of COVID-19 and the availability of sufficient appropriate specialists, will be monitored to ensure prompt action can be taken to reduce any negative impact on cost and programme.
- 6.4 During this period progress on the project continues with the mechanical, electrical and plumbing engineering (MEP) strip out, plaster removal, lower ground floor alteration works and lift structural alteration works.
- 6.5 In the next quarter, it is expected that the scaffold erection above the eaves level will progress, and the timber and leaded window restoration works will continue. Inspections of the clock spire works and chimney cleaning will continue and the Great Hall leaded windows will be removed for repairs. For Albert Square, mobilisation meetings will be held on site with the utility companies due to commence diversion works ahead of October 2021, and stakeholder engagement sessions will be arranged for all local businesses with a focus on individual logistical requirements.

- 6.6 A more detailed report on progress is going to July Resources and Governance Scrutiny Committee, which includes the social value that is being delivered.

*The Factory*

- 6.7 The Factory and St Johns projects are forecasting to be within budget overall and the construction is on track to be completed in December 2022 with MIF having early access for work from at least October 2022. For 2021/22 the project is forecast to spend £53.3m compared to a revised budget of £56.5m, a variance of £3.2m, due to some changes in timescales for the various work packages including MEP, truck lift, screeding, warehouse roofing, stage engineering and facades now planned to start slightly later, with design taking longer than anticipated or other packages starting earlier.
- 6.8 A total of £115m worth of packages have now been procured, and there are 7 packages remaining with a value of £32m. At this point 81% cost certainty is due to be achieved by end July 2021 with the project expecting to achieve 90% cost certainty by 2022. Risks will be carefully managed through and across the various work packages. As with the Our Town Hall project, there are risks with external factors including supply chain uncertainty, the impact of COVID-19 and the impact of inflation.
- 6.9 The project is progressing well in several areas under the main structural steel contractor, including the primary frame to the building. Progress is being made with the installation of the precast concrete panels to both the north and south gables of the warehouse and the north and east elevations of the theatre. Other areas are progressing well including acoustic mastic installation.
- 6.10 The early internal fit-out activities to the Warehouse Level 7 and 8 commenced in June 2021. Good progress has been reported to the Level 2 rib slab in preparation for the Manchester International Festival 21 Festival event in the building. Recommendations have also been put forward for the architectural metal work and joinery packages which are all within budget.
- 6.11 A more detailed report on progress is going to July Resources and Governance Scrutiny Committee, which includes the social value that is being delivered.

*Housing Infrastructure Fund (Victoria North)*

- 6.12 The total budget for the Housing Infrastructure fund is £51.0m, and the project is due to complete in 2024. During 2021/22 the works are forecast to spend to budget at £12.5m.
- 6.13 The acquisition of the former Creamline Dairies site, undertaken as part of the Victoria North scheme noted below, has completed and can now be used to provide access to sites and allow the infrastructure works to take place. A multi-disciplinary consultant and contractor has been selected for the works,



including project delivery, design, planning consultants and turnkey contractors appointed on a two-stage design and build basis. Far East Consortium (FEC) have commenced site investigation and ground investigations in relation to the main infrastructure works package.

- 6.14 It is expected that the appointments of all consultant and contractors will formally complete by September 2021. Site and ground investigations will also be undertaken in relation to flood mitigation works and detailed designs for works are due to be progressed.
- 6.15 The programme includes planned river remediation works. The site will be carefully managed during this process and early dialogue is underway with the Environmental Agency to ensure co-development and approval of the initial site surveys. The works will be undertaken in accordance with appropriate methodology and measures to minimise contamination and flooding risks.

#### *Collyhurst*

- 6.16 The current budget for the first phase of the Collyhurst Programme is £31.2m and is due to be spent by March 2024. In 2021/22 the programme is forecasting to spend to budget at £2.0m.
- 6.17 The Heads of Terms for the Collyhurst programme have now been agreed and a budget for the scheme is now in place. The pre-construction services agreement (PCSA) has commenced with the main contractor. FEC have commenced enabling works on site with tree removal almost complete and fencing completed.
- 6.18 In the next quarter it is aimed to substantially complete the legal agreements with FEC and the project is scheduled to go to Planning Committee. A bid to the Shared Ownership and Affordable Housing Programme will be prepared for funding of 100 out of 130 new Council Homes.
- 6.19 Risks remain around the potential impact of COVID-19 on the housing market, potentially affecting sales prices and prolonging construction periods, which may slow delivery of the scheme. The market will be continually monitored, and colleagues will ensure that the development keeps pace with demand and is suitably phased.

#### *Manchester Aquatics Centre*

- 6.20 The total budget for the Manchester Aquatics Centre refurbishment is £30.5m, and the project is scheduled to complete in Summer 2024. In 2021/22, the forecast is to budget at £7.5m.
- 6.21 A decision to progress with the Manchester Aquatics Centre refurbishment scheme was taken by Executive in March 2021. The main contractor has now been mobilised, the scope of works prepared, and a pre-construction services agreement issued and signed to take the project to the end of RIBA Stage 4. The design is now progressing through the RIBA Stage 3 programme in line

with the previously reported budget cost.

- 6.22 An enhanced package of carbon reduction works has been incorporated into the project following confirmation of funding via the Public Sector Decarbonisation scheme (PSDS). These works will be delivered by the main contractor as part of the overall refurbishment project and have no impact on the construction programme which is due to commence at the end of 2021.

#### *Co-op Academy Belle Vue*

- 6.23 The total budget for the Co-op Academy Belle Vue project is £31.5m and the project is expected to complete in October 2022. In 2021/22 the project is forecast to spend to budget at £21.6m.
- 6.24 Under the pre-contract agreement, demolition and site clearance at the Hyde Road site continue. Since the last report to Executive, the design for the new school has been completed with planning permission awarded and the main building contract signed.
- 6.25 In the next quarter, demolition and site clearance are expected to complete, and construction of the foundations for the new building is due to commence.
- 6.26 Key risks around the project remain to be the volatility of the UK construction market with shortages of materials and labour leading to significant price uncertainty. Where possible fixed price arrangements have been entered into or suitable risk allowances included within the contract sum. The current spend profile is based on a pre-contract estimate of cashflow, and during the next quarter a more detailed contract cashflow will be developed, hence the forecast may change.

#### *Hammerstone Road Depot*

- 6.27 The total budget for the Hammerstone Road project is £25.0m and the project is due to complete in 2023. For 2021/22, the works are forecast to spend to budget at £11.4m.
- 6.28 In June 2021, the planning application for the Hammerstone Road Depot was validated, with the advanced works agreed and order issued. The RIBA Stage 4 plans have been issued for sign off with a number of stakeholder engagement events held on site. The decant is underway and the temporary site cabins for Biffa have now been installed.
- 6.29 In the next quarter, it is expected that the contractor will finalise the design and cost plan for the RIBA Stage 4 report and the contractor mobilisation period and early works will then begin on site.
- 6.30 Key risk areas are around unexpected discoveries during ground works and when removing brickwork to expose the steel frame, and co-ordination of the European Regional Development Fund (ERDF) funded solar panels with the main roof works. The project will be carefully monitored throughout to ensure

any issues that arise can be dealt with in a timely manner.

#### *Abraham Moss Leisure Centre*

- 6.31 The total budget for Abraham Moss Leisure Centre is £24.7m and the project is expected to complete in February 2023. For 2021/22 the forecast is to budget at £8.8m.
- 6.32 The main contract for the construction of Abraham Moss Leisure Centre has been agreed with the contractor. Demolition works have commenced, and further surveys have been undertaken. The impacts of these surveys on construction, programme and costs are being appraised, however it is expected that any additional costs would be offset by the risk allowance within budget. This will be clarified once the costs and programme have been reviewed.
- 6.33 A review of the proposed cricket enhancements has been carried out following an 'in principle' agreement being reached with the English Cricket Board (ECB) to invest in the site. The final design options for this element have been issued to ECB to determine the final agreed scheme for the Urban Cricket Centre. The final designs are expected to be agreed in July 2021 which will trigger confirmation of funding for the enhancements from the ECB.

#### *Victoria North*

- 6.34 The total budget for Victoria North (formerly Northern Gateway) project is £21.9m and it is expected to complete in 2024. For 2021/22 the project is forecast to spend to budget at £6.7m. The project is linked to the Housing Infrastructure Fund project noted above.
- 6.35 Since the end of March, the loan agreement with FEC has been finalised, and the first tranche of funding has been released. This will support FEC with land acquisitions, allowing the joint venture to bring forward development proposals within the Victoria North area to build new homes.
- 6.36 Subsequent drawdowns are expected across the financial year.

#### *Carbon Reduction Programme including PSDS*

- 6.37 The total budget for the existing Carbon Reduction Programme is £25.8m and is due to complete by 2025. In 2021/22 Phase 1 of the programme is forecasting to spend to budget at £3.0m. Similarly, the total budget for the Public Sector Decarbonisation Scheme (PSDS) is £19.7m, due to be spent in full in 2021/22.
- 6.38 All works to the Carbon Reduction Programme phase 1 are expected to complete by quarter 2 of 2021/22, saving 1,400 tonnes of CO2 annually, except those at Manchester Football and Tennis Centre which is being used as a COVID-19 vaccination centre. Works at the National Cycling Centre and

Hammerstone Road, part funded by the ERDF, are expected to complete in 2022, in line with other works at those sites.

- 6.39 Following confirmation of c.£19.7m PSDS grant funding, a scheme of works largely focused on decarbonisation of heat is being finalised. In the next quarter, it is expected that a works contract will be entered into including a baselined programme. The deadline for spending the grant has now been extended to March 2022, which remains a risk, but allows for planned works at Manchester Aquatics Centre and the National Cycling Centre to be undertaken within the wider refurbishment schemes. Each project within the programme will be managed with a separate governance and risk management structure and tight monitoring of the programme and its delivery will ensure immediate action can be taken to resolve any issues in a timely manner.

## 7 Other material changes to the programme

- 7.1 Other material changes to the Capital Programme are detailed below:

Project	Current Budget 2021/22	Forecast at Q1	In Year Variance	Spend to date 2021/22	Total Budget (All Years)	Total Variance (All Years)
£m						
Emergency Active Travel Fund (EATF)	5.5	1.8	(3.7)	0.1	5.7	0.0
Piccadilly Gardens Early Works	1.7	0.3	(1.4)	0.0	1.8	0.0
Integrated Working – Gorton Health Hub	14.6	10.6	(4.0)	0.0	22.8	0.0

### *Emergency Active Travel Fund Development Works*

- 7.2 The Emergency Active Travel Fund (ATF) within the Highways portfolio currently includes works to the City Centre (Triangle) and the Wythenshawe Active Travel Fund scheme, which were first and second ranked as part of TfGM's project prioritisation exercise. Both will seek to introduce permanent infrastructure to increase sustainable travel by encouraging more residents to walk and cycle.
- 7.3 There is an in-year variance of £3.7m due to the agreement of the governance and approval process with external funders taking longer than anticipated, further modelling being required to support the benefits to be realised, and to allow for the alignment of the work programmes with other complimentary schemes that connect or facilitate the ATF projects. Works are currently under design with an expected start date on site January 2022 although an element of the Active Travel City Centre scheme is programmed to be delivered before the Christmas embargo to support visitors and business during the Christmas trading period.

### *Piccadilly Gardens Early Works*

- 7.4 Early works in Piccadilly Gardens includes the appointment of a Design and Build Contractor to undertake detailed design and planning of a wider scheme up to RIBA Stage 3. The budget was approved to deliver the redevelopment, surveys, design works and planning submission, and to also bring forward short term improvements to enhance the experience of the space and reduce levels of anti-social behaviour. The demolition of the concrete wall is now complete, however there is a variance to the in-year budget of £1.4m as it has been agreed that an international design competition will be held to appoint a contractor, and this process could take between 18-24 months to conclude.

### *Integrated Work – Gorton Health Hub*

- 7.5 Within the Corporate Services portfolio, the Gorton Health Hub programme aims to improve access to primary care for local residents, shift care from higher cost hospital settings, increase local employment and release land for new affordable housing. The scheme was put on hold to allow the scope to be revised and options appraisals reviewed. Following agreement of the chosen option a full cost plan and contractor mobilisation is now underway. This has resulted in a variance to the in-year budget of £4.0m.

### *Highways Investment Programme Virement*

- 7.6 In 2020-21, the Council was awarded funding from the Department for Transport (DfT) to carry out maintenance surfacing works. In June 2020 a £1.0m contribution from Manchester City Council was approved and added to the Carriageway Resurfacing budget. As shown in the table below, a virement is now required to the Maintenance Challenge Fund, consolidating the budget to enable priority works to be completed.

Project	All Years Budget	All Years Forecast	Variance
£m			
Carriageway Resurfacing	7.0	6.0	(1.0)
Highways Maintenance Challenge Fund	1.5	2.5	1.0

## **8 General Programme Risks**

- 8.1 The Capital Budget is prepared on the best estimate of the start date and spend profile for each scheme and as the scheme develops this may change. This report is intended to highlight the total life and cost of schemes, and the risks associated with their development. All projects carry risk such as delivery risk, third party risk and market risk, including build cost and inflation. Some of the current risks are outlined below.
- 8.2 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 change in the construction material

price index for the UK, and a 2.0% change between April and May. Such indices aggregate price movements across a wide range of construction materials, but the BEIS data shows, for example that the price of concrete reinforcing bars have increased by 42.8% over the last year, and fabricated structural steel has increased by 38.1%.

- 8.3 This is clearly a considerable risk to the programme, particularly where contracts are not yet agreed. There are options available to the Council, such as entering fixed price agreements or elevating risk costs, but the inflationary risk is likely to be priced in on a prudent basis. There is also an inflation contingency budget of £17.3m for the whole programme which can be accessed if inflationary pressures will be greater than the contingency budgets built into existing cost plans. Officers will continue to monitor the construction market and seek to mitigate the price risks.
- 8.4 As noted above, some of the funding sources for the programme are time-limited, such as the Public Sector Decarbonisation Scheme. Officers will continue to monitor progress against these schemes to seek to maximise the level of grant funding used.

## 9 Capital Resources

- 9.1 The table below summarises the current funding assumptions for the Capital Programme based on the current forecast. This will continue to be reviewed for the remainder of the financial year to ensure that the optimum value for money is achieved.

	<b>Draft Funding 2021/22 £m</b>	<b>Draft Funding 2022/23 £m</b>	<b>Draft Funding 2023/24 £m</b>	<b>Draft Funding 2024/25 £m</b>	<b>Draft Funding All Years £m</b>
Grants	113.0	48.3	46.7	0.0	208.0
Contributions	35.0	12.2	0.2	0.0	47.4
Capital Receipts	17.4	12.7	13.0	2.7	45.8
Revenue Contributions to Capital	30.7	51.4	19.9	5.5	107.5
Capital Fund	6.7	1.8	1.3	0.0	9.8
Borrowing	264.4	223.0	103.6	45.2	636.2
<b>Total</b>	<b>467.2</b>	<b>349.4</b>	<b>184.7</b>	<b>53.4</b>	<b>1,054.7</b>

- 9.2 Modelling the Council's future cash flow based on the funding assumptions above and the forecast revenue use of reserves and anticipated changes to working capital provides an assessment of the ongoing affordability of the forecast capital programme.
- 9.3 The current modelling forecasts that the programme remains affordable within the revenue budget available including reserves. The model forecasts that the

capital financing reserves held by the Council will be required to meet the costs associated with the Council's borrowing by 2024/25.

- 9.4 The model is based on a significant number of assumptions, including the timing of any future borrowing and forecast future interest rates. As these assumptions change, the outcome of the capital financing model including use of capital financing reserves can also change.
- 9.5 The current forecast for the Council's indicators, compared to those reported to members in Executive in the budget reports, based on the current forecast capital expenditure and funding is shown at appendix C.

## **10 Social Value**

- 10.1 Every capital project is required to consider the social value which could be realised, either through procurement or other routes, through the creation of the asset. This is one of the key requirements of any capital business case brought forward.
- 10.2 By capturing the expected social value benefits, this allows projects to monitor their social value output on an ongoing basis. In some cases, such as where social value is monitored with groups like the North West Construction Hub, this is done on an aggregate basis rather than project by project. Work is ongoing to monitor the outcomes across the programme on a regular basis, with details of social value achieved during the pandemic reported to Executive in March.

## **11 Contributing to the Our Manchester Strategy**

### **(a) A thriving and sustainable city**

The capital programme contributes to various areas of the economy, including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

### **(b) A highly skilled city**

The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.

### **(c) A progressive and equitable city**

The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.

### **(d) A liveable and low carbon city**

Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

**(e) A connected city**

The capital programme includes investment in highways infrastructure, and broadband expansion.

**12 Key Policies and Considerations**

**(a) Equal Opportunities**

By investing in building adaptations, access for people with mobility difficulties is made easier.

**(b) Risk Management**

The capital programme is based on forecast costs and funding, and as such there are risks to achieving the programme from external factors such as shortage of labour or materials, alongside market risks such as price fluctuations and interest rate charges. The Strategic Capital Board, and associated Portfolio Boards for each part of the programme, are tasked with regular monitoring of costs, delivery, quality and affordability, to help manage and mitigate these risks.

**(c) Legal Considerations**

None.