

**Manchester City Council  
Report for Resolution**

**Report to:** Executive – 16 February 2022  
Council – 4 March 2022

**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 December 2021.
- (b) The latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in September 2021.
- (c) The proposed financing of capital expenditure for 2021/22 and affordability of the Capital Programme.

**Recommendations**

Executive is requested to note the contents of the report.

Council is requested to note the contents of the report.

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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
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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 regarding 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.
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Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The 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 £328.2m compared to the current approved budget of £502.2m. Spend as of 31<sup>st</sup> December 2021 was £173.3m. 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. The total approved programme is forecast to be £1,139.1m over the next four 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
- Report to the Executive 28<sup>th</sup> July 2021 – Capital Programme Monitoring 2021/22
- Report to the Executive 28<sup>th</sup> July 2021 – Capital Update Report
- Report to the Executive 15<sup>th</sup> September 2021 – Capital Update Report
- Report to the Executive 20<sup>th</sup> October 2021 – Capital Update Report
- Report to the Executive 17<sup>th</sup> November 2021 – Capital Programme Monitoring 2021/22
- Report to the Executive 15<sup>th</sup> December 2021 – Capital Programme Monitoring 2021/22

## **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 December 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 A. The revised capital budget for 2021/22 is therefore £502.2m, with a further £652.8m budgeted to be spent across 2022-2025, taking total Council led capital investment in the city to £1,155.0m.

2.2 The full revised capital forecast for each project, taking into account forecast re-profiling required, can be found in the Capital Strategy elsewhere on the agenda.

## **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.
- 4.3 The post pandemic inflationary pressures are being acutely felt in the construction sector. Officers are working with contractors to contain and mitigate costs as much as possible, and our capital programme has a number of project contingencies which will absorb pressures wherever possible and further approvals sought if these 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 Co-op Academy, Our Town Hall, The Factory, active travel schemes, 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 Q3 to Q2	
	£'m					£'m
Highways	66.3	57.8	48.0	40.9	(7.1)	22.3
Neighbourhoods	47.3	36.7	38.6	35.7	(2.9)	14.3
The Factory and St John's Public Realm	56.5	53.3	50.6	42.6	(8.0)	26.4
Growth and Development	94.8	93.0	83.2	64.3	(18.9)	24.7
Our Town Hall Refurbishment	70.9	67.7	60.4	53.8	(6.6)	30.5
Housing – General Fund	17.7	15.8	18.6	17.1	(1.5)	9.9
Housing – Housing Revenue Account	31.2	31.0	28.3	23.8	(4.5)	13.5
Children's Services	46.4	44.9	33.7	31.1	(2.6)	21.2
ICT	7.1	7.0	6.4	6.4	0.0	3.6
Corporate Services	19.0	15.0	14.5	12.4	(2.1)	6.9
<b>Total (exc. contingent budgets)</b>	<b>457.2</b>	<b>422.2</b>	<b>382.3</b>	<b>328.1</b>	<b>(54.2)</b>	<b>173.3</b>
Contingent Budgets	45.0	45.0	45.0	0.0	(45.0)	0.0
<b>Total</b>	<b>502.2</b>	<b>467.2</b>	<b>427.3</b>	<b>328.1</b>	<b>(99.2)</b>	<b>173.3</b>

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

<b>Manchester City Council Programme</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>	<b>All Years Variance to Current Budget</b>
Highways	40.9	47.4	0.6	0.0	88.9	(0.6)
Neighbourhoods	35.7	62.7	15.5	0.9	114.8	0.1
The Factory and St John's Public Realm	42.6	46.5	0.0	0.0	89.1	0.0
Growth and Development	64.3	83.2	61.5	5.0	214.0	(1.8)
Town Hall Refurbishment	53.8	86.1	68.1	42.2	250.2	0.0
Housing – General Fund	17.1	27.3	37.0	2.7	84.1	(1.6)
Housing – Housing Revenue Account	23.9	37.6	30.5	14.6	106.6	(4.5)
Children's Services	31.1	37.7	24.7	0.0	93.5	0.1
ICT	6.4	6.8	6.8	0.0	20.0	(0.4)
Corporate Services	12.3	11.0	0.5	0.5	24.3	(7.3)
<b>Total (exc. Contingent budgets)</b>	<b>328.2</b>	<b>446.3</b>	<b>245.1</b>	<b>65.9</b>	<b>1,085.5</b>	<b>(15.8)</b>
Contingent Budgets	0.0	47.8	5.8	0.0	53.6	0.0
<b>Total</b>	<b>328.2</b>	<b>494.1</b>	<b>250.9</b>	<b>65.9</b>	<b>1,139.1</b>	<b>(15.8)</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 £15.8m. £4.0m relates to projects that will complete with an underspend. £11.8m relates to budgets that need to be removed. The Next Steps Accommodation Programme, Sharp Project, Beswick Filtered Neighbourhood Project, Heron House & Registrars, North Manchester New Builds Project, Other Improvement Works projects along with smaller projects within Highways, Growth & Development and ICT are expected to complete under budget.

5.4 The loan element of the funding agreement within Biomedical Investment is not expected to be required, reducing the budget requirement by £7.3m. Parkhill Land Assembly programme is now part of Project 500 and will not be developed by MCC, reducing the budget requirement by £4.3m. There is a budget reduction of £0.3m relating the Strategic Acquisitions Programme, which relates to the removal of the remaining Spire budget.

5.5 The budget is expected to be reduced for these underspends/budget reductions when it is next revised in February, allowing any funding associated with it to be released for other investment priorities. There are also several projects which are currently forecast to require reprofiling over years,

and these changes will also be reflected in the capital outturn report.

- 5.6 A more focussed look at the top 10 projects is provided in Section 6 below. These projects cover 52% 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.
- 5.7 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 Q2	Forecast at Q3	In Year Variance	Spend to date 2021/22	Total Budget (All Years)	Total Variance (All Years)
	<i>£m</i>						
Our Town Hall Refurbishment	70.9	60.4	53.8	(17.1)	30.5	305.1	0.0
The Factory & St John's Public Realm	56.5	50.6	42.7	(13.8)	26.4	196.8	0.0
Housing Infrastructure Fund (Victoria North)	12.5	12.5	4.0	(8.5)	2.3	51.0	0.0
Carbon Reduction Programme & Public Sector Decarbonisation (PSDS)	20.6	20.6	20.3	(0.3)	3.3	43.4	0.0
This City Housing Delivery	0.7	0.0	0.7	(0.0)	0.0	33.7	0.0
Co-op Academy Belle Vue	21.6	10.7	9.2	(12.4)	5.3	31.5	0.0
Manchester Aquatics Centre	7.5	5.7	5.2	(2.3)	0.0	30.5	0.0
Collyhurst	2.0	2.0	0.4	(1.6)	0.3	29.5	0.0
Hammerstone Road Depot	11.4	7.5	3.8	(7.6)	1.6	25.0	0.0
National Cycling Centre	6.0	6.0	6.0	0.0	1.5	24.6	0.0

- 6.2 Following approval of This City Housing Delivery project in December 2021 with a budget value of £33.7m, the Abraham Moss project, with a budget value of £22.3m, has been removed from this list.

#### *Our Town Hall Refurbishment*

- 6.3 The Our Town Hall Refurbishment project is forecasting to be within budget, although the project has faced several challenges including the impact of COVID-19, issues identified relating to discovery on site, and the scale of complexity of the design work required.
- 6.4 For 2021/22 the forecast spend is £53.8m compared to a revised budget of £70.9m, a variance of £17.1m. This is an increased variance of £6.6m since quarter 2.
- 6.5 The budget reflects an earlier iteration of the current programme, which has been reset during the year. The strategy and timing of the procurement of several packages has changed, which is reflected in the revised forecast. The main packages that have been affected are:
- The Non-Structural Alterations package, which was originally due to start in April 2021, but the revised strategy now has the package starting in early 2022.
  - The mechanical, electrical and plumbing engineering (MEP) package and other packages have been affected by late design and discovery on site, which in some cases has led to re-design.
- 6.6 The project has also been re-forecasted this period and the use of contingency requires £4.7m to be re-profiled.
- 6.7 A total of £134.0m worth of packages have now been procured, and there are 27 packages remaining with a value of £36.0m. At this point, 83% cost surety has been achieved with the project expecting to achieve 90% cost certainty by April 2022, based on current design release dates. Risks will be carefully managed through and across the various work packages. External factors such as inflationary pressures, 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.
- 6.8 During quarter 3, perimeter works to Albert Square were accelerated and commenced in October and are scheduled to complete in June 2022. Stakeholder engagement sessions have been ongoing with local businesses and landowners, which have been positive, and the acceleration proposals have their support. Scaffold to the clock tower has been erected, steel for the Bee Rooflight has been installed and good progress has been made with the installation of new stone to the chimneys and the façade. Timber and leaded light window refurbishments are also progressing well. The Civic Quarter Heat Network (CQHN) has progressed connections to the building and extensive structural alterations are progressing in the Jury Courts. The Lloyd Street



goods lift shaft has been completed.

- 6.9 In the next quarter, work plans and site logistics have been agreed to enable works to commence directly outside local businesses from early 2022. Progress will continue on the temporary roofs above the central plant deck and Cooper Street tower. Chimney refurbishment works and leaded light and timber window repairs will continue. Work will be carried out on the Princess Street lift core and the Lloyd Street goods lift installation is due to commence.

#### *The Factory*

- 6.10 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 Manchester International Festival (MIF) expected to have early access from at least October 2022. The project is currently forecast to spend £42.6m this year compared to a revised budget of £56.5m, a variance of £13.8m, which has increased by £8.0m since quarter 2. As work progresses, contingency that was forecast to be required this year (£3.6m) is now forecast for next year, in line with the reprofiling detailed below. The reason for the further reprofiling is as previously reported due to design delays, delays starting on site and resequencing of works. The main packages affected by these items are External Envelope, MEP, Joinery and panel installation.
- 6.11 The project has £1.48m left to be awarded within the contract and £150k of packages that will fall outside of the contract. The project is expected to achieve 88% cost certainty by March 22. There are still risks including supply chain uncertainty, the impact of COVID-19 and the impact of inflation.
- 6.12 During this period, the project has completed the installation of precast façade panels, aside from those intended to be left out for access. The Theatre 1st phase truck lift fit-out activities and the Theatre stair 6 secondary steel wall build up are also complete. The multiwall installation (moveable partitions to the warehouse) has started on site, which once complete will be the largest in the world. Internal fit-out is progressing across areas of the building. Lifts have been handed over for beneficial use where possible. The facades work package contractor has started on site and is working across several active workfaces, following some substructure works to the towers. Blockwork is progressing well to a number of areas including Opera XL and L2 foyer to theatre.
- 6.13 There are still on-going design issues concerning fire strategy, along with the fire protection scope. Both are under review. The timber lining to the theatre is being considered with the supply chain. The recommendation for the procurement of the retractable seating units has been accepted and is within budget. Procurement of the fixed seating is still to be resolved, with the undercroft soffits pricing and detail to be agreed.

#### *Housing Infrastructure Fund (Victoria North)*

- 6.14 The total budget for the Housing Infrastructure fund is £51.0m, and the project

is due to complete in 2024. For 2021/22 the forecast spend is £4.0m compared to a budget of £12.5m, a variance of £8.5m. This is an increased variance of £8.5m since quarter 2. There have been delays with Ground Inspections and there are still a variety of engineering options to be established. The programme was extended due to Network Rail having to undertake urgent work in the river channel. There have also been unforeseen issues with access, which has required reapproval of Risk Assessment and Method Statements (RAMs) from Network Rail and the Environment Agency for boreholes.

- 6.15 Site investigation for the river works is nearing completion. A planning application has been approved for enabling works that will assist in bringing forward works to deliver the main infrastructure proposals on the site. Permission was granted just before Christmas, with enabling works set to start in early February. Work was also completed just before Christmas on the RIBA Stage 3 design package. The design documentation is currently under review with the Council's technical team. Work on the RIBA Stage 4 design package will commence in late January. Public consultation is ongoing, of which, the most recent phase ended on the 7<sup>th</sup> January with predominantly positive feedback and support.
- 6.16 Hydrological modelling is being updated to inform the design development that will be undertaken over the coming months. Engagement will continue with the Environment Agency concerning the design development for both flood mitigation works and the wider infrastructure scheme.

#### *Carbon Reduction Programme including PSDS*

- 6.17 The total budget for the existing Carbon Reduction Programme has been revised from £22.7m to £20.6m and is due to complete by 2025. In 2021/22 Phase 1 of the programme the forecast spend is £2.7m compared to a budget of £3.0m, a variance of £0.3m. Additional projects are being identified and developed to utilise this forecast underspend. Similarly, the total budget for the Public Sector Decarbonisation Scheme (PSDS) has been revised from £19.7m to £17.6m the difference being a £2.1m virement to the National Cycling Centre Project. The project is forecast to budget.
- 6.18 All works to the Carbon Reduction Programme phase 1 are expected to complete within the financial year, saving 1,400 tonnes of CO<sub>2</sub> annually. Remaining works include the installation of LED lighting at the Sharp Project, which is currently being manufactured ready for installation around February to March 22. Installation of Solar PV (Photovoltaic) at Space Studios has been completed and the panels will be energised in March 22. Other work expected includes energising the installed Solar PV at the Tennis & Football Centre and completing the installation of the LED lighting once access can be agreed with the vaccination centre.
- 6.19 Works at the National Cycling Centre and Hammerstone Road, part funded by the European Regional Development Fund (ERDF), will be delivered in stages

and are expected to start in quarter 1 of 2022/23, in line with other works at those sites.

- 6.20 Following confirmation of c.£19.7m PSDS grant funding, a scheme of works largely focused on decarbonisation of heat has been finalised. Detailed designs, planning approvals, grid offers, and contracts have been put into place for all buildings in scope for PSDS funding works. 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.

#### *This City Housing Delivery*

- 6.21 The total budget for This City Housing Delivery is £33.7m and the project is scheduled to complete in 2023/24. For 2021/22, the project is forecast to budget at £0.7m.
- 6.22 This project will build a mixed development of market and accessible rent properties, initially through the Council before transferring to a Council-owned company during the build.
- 6.23 The first phase of proposed development is the first development to be built by This City. This City is Manchester City Council's newly created housing vehicle which aims to utilise Council-owned land to demonstrate that a high-quality housing product, meeting zero carbon aspirations and providing accessible homes set at Local Housing Allowance (LHA) rates is achievable.
- 6.24 The scheme will:
- Promote equity and fairness - the first phase is expected to provide homes at accessible rents for Manchester residents
  - Reduce carbon emissions – the scheme is targeting Association of Environmentally Conscious Buildings accreditation, which meet or exceed the MCC and RIBA targets for 2030 developments.
- 6.25 The contractor has been appointed and they are in the process of undertaking a RIBA stage 2 review prior to commencement of RIBA stage 3. A launch of This City is to take place in February, with a planning submission targeted for June 2022.

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

- 6.26 The total budget for the Co-op Academy Belle Vue project is £31.5m and the project is expected to complete in October 2022. For 2021/22, the project is forecast to spend £9.2m compared to a revised budget of £21.6m, a variance of £12.3m, which has increased by £1.4m since quarter 2. Significant effort

has been taken to agree the contract with the contractor as soon as possible, which meant that more detailed cost information only became available once the contract was signed in July, with start on site in August. Until the contract cost profile was agreed the forecasts could only be estimates, and with the programme now fixed the periods of higher spend will be in the next financial year. The handover date is also later than originally anticipated. During the last quarter the works on the substructure packages have progressed substantially, but not yet completed, and works have also done well onsite, this means that direct and consequential cost risks that were linked to ground conditions have now passed and can be released into the general project contingency.

- 6.27 Groundworks and Japanese knotweed removal have been completed. Construction of the superstructure and steel work is also complete. The expected handover date is October 2022, and discussions with the Co-op are ongoing as to the move-in date. The school opened as planned in September 2021 in temporary accommodation on the site of Connell College also part of Co-op Academy Trust and pupils will remain on this site until the new building is completed.
- 6.28 In the next quarter, work around the floor decking and concrete slab will commence and work on drainage will continue.
- 6.29 Key risks around the project remain 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.

#### *Manchester Aquatics Centre*

- 6.30 The total budget for the Manchester Aquatics Centre refurbishment is £30.5m and the project is scheduled to complete in Summer 2024. For 2021/22, the project is forecast to spend £5.2m compared to a budget of £7.5m, a variance of £2.3m, which has increased by £0.5m since quarter 2. This is due to delays associated with the reviewing the business case and design for enhancements requested by the operator. The initial design was progressed based on these being included and therefore the project team has needed to investigate other opportunities to enhance the entrance which has led to the overall delay to the programme, including the start on site date, which was originally expected to in November 2021 and has moved to December 2021. During quarter 3, there has been a requirement to move £0.5m into future years due to the cost submission being later than previously forecast. However, officers are currently looking at potential advance work orders which may mitigate this, and discussions are currently taking place internally.
- 6.31 Early works orders have been issued to the main contractor to commence phase 1 and the contractor is now on site. Asbestos surveys have been completed and the Dive Pool and Main Pool have been drained. Works have been undertaken so that a reduced public swim programme can return in the training pool from January 2022.

### *Collyhurst*

- 6.32 The current budget for the first phase of the Collyhurst Programme is £29.5m and is due to be spent by March 2024. In 2021/22 the programme is forecasting to spend £0.4m compared to a budget of £2.0m, a variance of £1.6m. The budget requires reprofiling as a result of continued Development and Funding Agreement (DFA) negotiations with the Far Eastern Consortium (FEC) and ongoing Pre-Construction Services Agreement (PCSA) stage. This will delay contract finalisation and start on site. Further reprofiling is required due to FEC & the preferred contractor waiting for responses from sub-contractors regarding work package tenders, which will help to deliver the scheme. A response is anticipated at the end of January/early February 2022. This will mean a start on site is most likely to be in the new financial year. Because of this, £3.8m is also being reprofiled from 2022/23 through to 2024/25.
- 6.33 During the last quarter, negotiations continued with FEC in relation to the DFA and an associated suite of documents. FEC have been continuing to work through PCSA stage with the preferred contractor. Work with Cost consultants and design team is now complete, and the Shared Ownership and Affordable Homes Programme (SOAHP) bid has been submitted to Homes England, with a response expected late January 2022. FEC have been continuing enabling works on site with regards to trees, earthworks and remediation.
- 6.34 In the next quarter, the DFA with FEC will progress. Work will continue with FEC to progress through PCSA process with the selected contractor and agree scheme cost. There will be a continuation of work with design team prior to submission of SOAHP bid. There will be ongoing liaison with affected residents and a drafting of Compulsory Purchase order (CPO) Statement of Reasons will be carried out.
- 6.35 Risks remain around the volatility of 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.

### *Hammerstone Road Depot*

- 6.36 The total budget for the Hammerstone Road project is £25.0m and the project is due to complete in 2023. For 2021/22, the project is forecast to spend £3.8m compared to a revised budget of £11.4m, a variance of £7.6m which has increased by £3.7m since quarter 2.
- 6.37 There has been a requirement to move this £3.7m into future financial years. In part, this is due to the delayed submission of final costs by the main contractor, with additional design works required following stakeholder review, along with increased difficulty in finalising priced responses from the market.
- 6.38 The contract commencement date has been pushed back to allow further investigative works to the brickwork and steel frame within the loco shed,

drainage and boundary wall to reduce risk within the main contract and respond to comments from planners. However, the delay to the contract commencement date will be mitigated in the main contract works programme for these elements, because of the benefits that will arise from these exploratory works being undertaken pre-contract.

- 6.39 During the previous quarter, pre-contract enabling works, with mechanical and electrical preparatory works to include new substation works and enclosure and temporary electrics for Biffa. Additional drainage surveys and asbestos strip-out and monitoring have been carried out. An update to the RIBA 4 cost plan was received, demonstrating a £6.6m increase on the previous cost plan submission reflecting market pressures and design development resulting from further investigative works and surveys.
- 6.40 In the next quarter, analysis and review of the cost plan will continue through January, with a third of sub-contractor packages submitted to date and value engineering exercises ongoing between all parties. Further demolition and strip-out works are continuing through this period, along with site investigation and cathodic protection surveys to aid decision-making during the value engineering process.
- 6.41 Key risks on the project are budget pressures, arising from the current market conditions and the inherent structural and ground contamination risks remaining on a building of this nature and historic use and maintaining the depot as a working site during construction.

#### *National Cycling Centre*

- 6.42 The total budget for National Cycling Centre (NCC) is £24.6m and it is expected to complete in 2022. For 2021/22 the project is forecast to budget at £6.0m.
- 6.43 Both the Great British Cycling Team (GBCT) and Greenwich Leisure Limited (GLL) have now vacated the site. The track closed in January 2022 and reopens in late August 2022. RIBA Stage 4 design is progressing. Works to relocate the café are progressing but may be subject to a feasibility study being prepared for the redevelopment of the indoor BMX facility. The main contract has now been signed.
- 6.44 In the next quarter, stripping out of the steel frame to the plant room and mechanical and engineering first fix will continue. With £2.1m secured from the PSDS grant for solar panels these must be installed by March 2022 and commissioned as soon as possible afterwards.

## **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	Forecast at Q2	Forecast at Q3	In Year Variance	Spend to date 2021/22	Total Budget (All Years)	Total Variance (All Years)
Integrated Working – Gorton Health Hub	14.7	10.6	10.2	9.3	(5.4)	4.1	22.8	0.0
Emergency Active Travel Fund (EATF)	5.5	1.8	0.7	0.5	(5.0))	0.3	5.7	0.0
Campfield Redevelopment	4.4	3.7	3.7	0.0	(4.4)	0.0	4.4	0.0
North Manchester New Builds 3	3.4	3.4	1.5	1.2	(2.3)	0.3	12.8	0.0
Indoor Leisure – Abraham Moss	8.8	8.8	6.5	6.5	(2.3)	3.6	24.7	0.0
House of Sport	5.5	5.5	5.5	3.3	(2.2)	0.3	8.4	0.0
Northern Quarter Cycling Scheme	5.1	5.1	2.7	2.9	(2.2)	1.6	10.7	0.0
Manchester Digital Security Innovation Hub (Cyberhub)	2.0	2.0	0.0	0.0	(2.0)	0.0	2.0	0.0
Patching Defect Repairs	6.6	7.5	5.1	4.6	(1.9)	2.6	12.9	0.0

### *Integrated Work – Gorton Health Hub*

- 7.2 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. Heads of Terms (HoTs) are currently being drafted and will be issued in the coming weeks. This has resulted in a variance to the in-year budget of £5.4m which is an increase of £0.9m since quarter 2.

### *Emergency Active Travel Fund Development Works*

- 7.3 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 Transport for Greater Manchester's (TfGM) project prioritisation exercise. Both will seek to introduce permanent infrastructure to increase sustainable travel by encouraging more residents to walk and cycle.
- 7.4 There is an in-year variance of £5.0m, which is an increase of £0.2m since quarter 2. This is 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 ongoing to establish design and programme for commencement in January 2022 and completion in May 2022.

### *Campfield Redevelopment*

- 7.5 Within the Growth & Development portfolio, the Campfield Redevelopment project aims to acquire the freehold interest in Castlefield House as part of an agreement with Allied London and the Science and Industry Museum. The museum will decant from Lower Campfield and Allied London will bring all three sites into repair and refurbish to provide co-working office accommodation and ancillary facilities. The larger project will restore and safeguard two Grade II listed historical market building assets for future public use together with the environmentally sustainable refurbishment of a poor quality 1970's commercial building. Highly adaptable workspace for the media, tech, digital and creative sectors will be provided.
- 7.6 A broad agreement has been reached on HoTs and an inception meeting has been held with Central Government for Levelling Up Funding. The procurement route is to be agreed and Legal agreements with 3<sup>rd</sup> parties are to be completed. Some legal fees may be incurred in this financial year with the remainder expected to be charged in 2022/23.

### *North Manchester New Builds 3*

- 7.7 Within the Housing portfolio, the North Manchester New Build 3 (Silk Street) project requires £2.3m to be re-profiled. This is due to delays to starting onsite because of contract due diligence negotiations, obtaining the correct warranties, and a review of design and social value commitments. The project is still on track to deliver in line with the budget.

### *Indoor Leisure – Abraham Moss*

- 7.8 Within the Neighborhoods portfolio, the Abraham Moss project requires £2.3m to be re-profiled into 2022/23. There has been a programme delay to Abraham Moss Leisure Centre due to the discovery of pile foundations within



the footprint of the site. This will impact on the design and methodology for laying the concrete slab. Further surveys have been commissioned to identify if the proposed foundation solution is still appropriate. Costs for additional works and the delay associated with ground conditions are being reviewed and challenged, however, the costs can be met from the existing risk and contingency budget.

- 7.9 Pile removal works are complete, and works have commenced on underground drainage and casting of ground floor slabs.

#### *House of Sport*

- 7.10 Also, within the Growth and Development portfolio the House of Sport project aims to refurbish an area of the existing National Squash Centre to provide office and meeting facilities for existing occupiers as well as enabling the Council to attract new organisations to Manchester. In addition, the reception and café areas of the centre, accessible to all users of the complex, will be refurbished.

- 7.11 There has been a delay in the building contract being signed with the contractor and the project now requires £2.3m re-profiling into 2022/23. The delay was required to allow design changes for lighting in the office and entrance areas, which required redesign and recalculation of lighting levels. The kitchen layout also required an amendment. Additionally, a roof defect has been identified on site, for which specialist proposals, budget costs and funding plans are to be agreed.

#### *Northern Quarter Cycling Scheme*

- 7.12 Also, within the Highways portfolio, the Northern Quarter Cycling Scheme (formerly The Regional Centre Cycleway) was identified by TfGM as an important route around the City Centre for both cyclists and general traffic. The route will create an east-west cycle route to Piccadilly Station via the Northern Quarter to Victoria Station. There is a forecast variance to the in-year budget of £2.2m.
- 7.13 The variance is due to a review of achievability of programme for the Northern Quarter Area 2 works, with some construction works being reprogrammed into the next financial year, and a movement in programme in Northern Quarter Area 3 where works are now expected to start in early 2022, moved from October 2021 to avoid working during the busy Christmas period.
- 7.14 Within Northern Quarter Area 2, although the project is progressing through the design phase, there is a need for continuing discussion with all stakeholders. Additional time is also required to resolve consultation issues with bus operators.
- 7.15 Within Northern Quarter Area 3, various assessments, reviews and approvals have been carried out and commencement on site will be in early 2022. There has also been a change in design, moving from the use of auto-bollards to

static bollards, meaning the third party, risk and contingency costs have been moved into the next financial year.

#### *Manchester Digital Security Innovation Hub (Cyberhub)*

- 7.16 The Digital Security Innovation Hub, within the Growth & Development portfolio will be located on the second floor of Heron House. This project will include the Category B refurbishment of 10,909 sq. ft of space on the second floor of Heron House, Albert Square. Legal negotiations are continuing, but it is unlikely that the lease will be concluded this financial year, which has resulted in a variance to the in-year budget of £2.0m.

#### *Patching Defect Repairs*

- 7.17 The Patching Defect Repairs project, within the Highways portfolio, aims to maintain the carriageway & footway network by repairing actionable defects identified during safety inspections. There is a requirement to move £1.9m into the next financial year due to resource and contractor availability. The current contract ended on the 30th of November 2021. Temporary arrangements are in place to deliver works. The current forecast considers the proposed alternate contractors and their availability and supply chain.

## **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 22.7% annual change up to the end of November in the construction material price index for the UK. Such indices aggregate price movements across a wide range of construction materials, but the BEIS data shows, for example that the price of fabricated structural steel has increased by 66.1% over the last year and particle board by 56.6%.
- 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	86.0	79.5	63.5	0.0	229.0
Contributions	25.3	31.2	0.2	0.0	56.7
Capital Receipts	16.0	13.1	13.1	2.7	44.9
Revenue Contributions to Capital	25.6	43.1	30.7	14.6	114.0
Capital Fund	6.0	2.0	1.4	0.5	9.9
Borrowing	169.3	325.2	142.0	48.1	684.6
<b>Total</b>	<b>328.2</b>	<b>494.1</b>	<b>250.9</b>	<b>65.9</b>	<b>1,139.1</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 Total resources to be used over the forecast period have increased by £47.1m since the report at the end of Q2, in line with the budget approvals given during the same period and the variances noted above. This includes an increase in borrowing of £26.3m.
- 9.4 The current modelling forecasts that the programme remains affordable within the revenue budget available including reserves. 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 prudential 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 B.

## 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.
- 10.3 During the last quarter, as part of the Old Town Hall project, work has begun to recruit 12 new apprentices with the aim to employ out of work Manchester residents into the positions. Work has begun for the 2022 PlanBEE programme. Interested employers will have the opportunity to meet PlanBEE in February in order to have their questions about the scheme answered. To date five OTH employers have expressed an interest in taking part in the Level 4 apprenticeship scheme. A number of employers from OTH attended a careers fair at Manchester Islamic High School for Girls, where the students were able to get an understanding of careers pathways and employment opportunities available to them in the industry. Lendlease and MCC are working alongside support group Refugees and Mentors to deliver a 'meet the employer' event at the Artisan Studio. NG Bailey have been continuing to support 422 Community Centre in Longsight, by offering their volunteer time as labour with a view to helping renovate the premises over a number of volunteer sessions.
- 10.4 During the last quarter, as part of the Medieval Quarter project, furniture and equipment bought for a site office was donated to Manchester Cathedral's in-house charity 'Volition', who help unemployed people reach their goal of securing a job through training and upskilling. They will be using the equipment to set up a new office and training facility for a programme that will commence during 2022, which will help 200 people get into employment.
- 10.5 The projects within the Highways Service have included donations totalling £40k. They have been used for the installation of a memorial bench in Beswick, to help in the restoration of Brunswick and the Territorial Army (Whalley Range) car parks, to set up Clean Air activities at schools in Old Moat, and to contribute to tower lights to St. Brendan's, a local football club. The donation of repeater signs, along with their installation has been carried out on Store Street. Additionally, 28 hours of staff volunteering for the 'Crabbie Awareness' Don't Walk Past initiative and the North West Toy Appeal.

## **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.