

**Manchester City Council
Report for Resolution**

Report to: Executive – 14 September 2022
Subject: Capital Programme Monitoring 2022/23
Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

- (a) Progress against the delivery of the 2022/23 capital programme to the end of July 2022.
- (b) The latest forecast of capital expenditure and the major variances since the Capital Programme Outturn report submitted in June 2022.
- (c) The proposed financing of capital expenditure for 2022/23 and affordability of the Capital Programme.

Recommendations

Executive and Council are asked to note the report.

Wards Affected: All

Environmental Impact Assessment - 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.

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 2022/23 for Manchester City Council is £506.8m compared to the current approved budget of £535.5m. Spend as of 31st July 2022 was £91m. The £991m multi-year 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 16th February 2022 – Capital Strategy and Budget 2022/23 to 2024/25
- Report to the Executive 29th June 2022 – Capital Outturn Report
- Report to the Executive 22nd July 2022 – 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 four months to the end of July 2022, 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 2022/23 to 2024/25 in June 2022 as part of the Capital Outturn Report. 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 2022/23 is therefore £535.5m, with a further £455.6m budgeted to be spent across 2023-2025, taking the whole programme to £991.1m.

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 2021 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.

3.3 Current ongoing projects which feature carbon reduction works include the refurbishment of the National Cycling Centre and the Manchester Aquatic Centre, two of the highest gas and electricity consuming buildings in the estate. Full refurbishment of the buildings has seen the dependency on gas removed, full refurbishment of plant rooms, LED lighting installed throughout, fabric improvements and renewable generation installed. In the case of the National cycling Centre, the total impact of these works is forecast to achieve c60% reduction in carbon emissions.

4 Capital Programme Forecast 2022/23

- 4.1 The latest forecast of expenditure for the Manchester City Council Capital Programme in 2022/23 is shown in the table below. The main variances relate to active travel schemes, Housing Infrastructure Fund (HIF), Our Town Hall and ICT Network Refresh Programme, and are discussed in more detail in the following sections.

Manchester City Council Programme	2022/23					Spend to Date
	Current Budget	Forecast at P4	Forecast at Q2	Forecast at Q3	Variance to current budget	
	£'m					£'m
Highways	51.3	40.5			(10.8)	7.3
Neighbourhoods	80.7	82.9			2.2	17.5
The Factory and St John's Public Realm	46.4	46.4			0.0	10.2
Growth and Development	105.9	97.6			(8.3)	14.8
Our Town Hall Refurbishment	82.3	76.5			(5.8)	14.9
Housing – General Fund	25.0	24.1			(0.9)	5.6
Housing – Housing Revenue Account	37.4	34.8			(2.6)	6.2
Children's Services	43.6	42.6			(1.0)	8.2
ICT	7.0	4.9			(2.1)	0.7
Corporate Services	15.2	15.1			0.0	5.7
Total (exc. contingent budgets)	494.7	465.4			(29.3)	91.0
Contingent Budgets	40.7	41.4			0.7	0.0
Total	535.4	506.8			(28.6)	91.0

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

Manchester City Council Programme	2022/23	2023/24	2024/25	2025/26	All Years Variance to Current Budget
	£'m				
Highways	40.5	21.7	7.9	0.6	0.0
Neighbourhoods	82.9	13.2	4.4	2.9	(0.1)
The Factory and St John's Public Realm	46.4	0.0	0.0	0.0	0.0
Growth and Development	97.6	88.1	14.3	15.0	(1.1)
Town Hall Refurbishment	76.5	84.7	40.5	0.0	0.0

Housing – General Fund	24.1	36.9	7.7	7.5	0.0
Housing – Housing Revenue Account	34.8	30.2	17.1	8.3	0.1
Children’s Services	42.6	0.8	0.0	0.0	(1.1)
ICT	4.9	2.5	0.0	0.0	0.4
Corporate Services	15.1	1.4	0.5	0.0	0.0
Total (exc. Contingent budgets)	465.4	279.4	92.3	34.4	(1.7)
Contingent Budgets	41.4	40.8	36.2	0.1	0.6
Total	506.8	320.2	128.4	34.5	(1.1)

4.3 The report also shows an overall underspend of £1.1m against the programme. This includes:-

- £0.8m for Heron House,
- £0.2m for St Peters Square and Medieval Qtr Public Realm, all completing within budget.
- £0.1m for the Cremator & Mercury Abatement project which is nearing completion.

4.4 The budget will be reduced by these amounts when it is next revised. There are 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.

4.5 A more focussed look at the top 10 projects is provided in Section 5 below. These projects cover 79.4% of the total programme. Section 6 provides details of any other material changes relating to other parts of the programme since the last report to Executive.

4.6 The programme contains some budgets yet to be allocated to specific projects but reserved for a particular purpose, such as Education Basic Need funding, Special Educational Needs Grant, Housing Affordability Fund, the ICT Fund, HRA Unallocated funding and the budget for inflation pressures. These will be allocated once the specific schemes are progressed and approved, 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.

4.7 The most significant risk facing the programme and major projects overall is the continued high levels of inflation being experienced, as set out in Section 7 of this report.

5 Major Projects

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

Project	Current Budget 2022/23	Forecast at P4	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Our Town Hall Refurbishment	82.3	76.5	(5.8)	14.9	306.4	0.0
The Factory and St John's Public Realm	46.4	46.4	0.0	10.2	196.8	0.0
Housing Infrastructure Fund (Victoria North)	20.0	13.0	(7.0)	1.7	51.0	0.0
Carbon Reduction Programme and Public Sector Decarbonisation Scheme	19.6	19.6	0.0	5.5	48.1	0.0
This City Housing Delivery Vehicle	10.3	10.3	0.0	1.2	33.7	0.0
Back of Ancoats Mobility Hub and Public Realm	7.9	7.9	0.0	0.4	32.7	0.0
Co-op Academy Belle Vue	19.6	18.8	(0.8)	6.9	31.5	(1.1)
Collyhurst*	3.3	2.8	(0.5)	0.0	31.3	0.0
Manchester Aquatics Centre	17.5	19.9	2.4	5.8	30.5	0.0
Hammerstone Road Depot	11.4	8.4	(3.0)	1.3	25.0	0.0

*Public and Private Sector Housing

Our Town Hall Refurbishment

5.2 Works are progressing well on site overall and the Town Hall project team have been working hard to deliver the project to programme and budget. However, the project has experienced intense pressures on cost and programme, and the project team has been operating in a mode of risk mitigation. Over the life of the project these challenges have included significant disruptions from 'uncontrollable' elements such as nesting falcons, COVID-19, levels of inflation not seen for 40 years, and unprecedented pressure on the supply chain (labour and materials availability). The project will be subject to further volatility for another several months, until the physical interventions into the building are complete and the remaining 20 works packages have been procured.

- 5.3 The Our Town Hall Refurbishment project is currently forecasting slippage of £5.8m in to 2023/24. This is largely due to delayed commencement to a substantial part of the Mechanical, Electrical and Plumbing (MEP) installation works due to further works to work facers and structural alternation works and re-design in some areas due to discovery which affected the design of fire-rated equipment and the design of the electrical sub-station. The slippage includes £1.6m of contingency which has been reprofiled into future years.
- 5.4 There has been some good progress and some examples are included here. The project has completed a number of areas of Public Realm, allowing businesses to benefit from the outdoor space; the Golden Ball has successfully been removed from the top of the spire, and the new plaster solution is progressing well on site. The project has also completed the sheeting of the Albert Square Temporary Roof, the Albert Square and North Chimneys have been completed, and the heat exchangers installed on site. The slate has been delivered for the Great Hall Roof, and the Roof Brattishing (decorative cresting) has been removed and have started to be taken offsite to be restored and repaired, and work is continuing on the validation of the stonework design.
- 5.5 Whilst the team are working to deliver within budget, with the continued pressures with rising inflation as well as the challenges the project has faced, there is now a significant risk that this will not be achieved. When greater certainty is established on the likely outturn position, and the extent to which the rising costs can be covered within the existing inflation and contingency provision, a budget increase will be requested if required. A more detailed update is scheduled for Resources and Governance Scrutiny Committee in October.

The Factory

- 5.6 The Factory and St Johns projects are forecasting to complete in 2022/23. In a similar situation to the Town Hall Project, the project is reporting to budget, however, there are significant cost pressures and highlighted risks are now translating into additional costs. It is positive that no new risks are emerging, however, cost inflation and supply chain pressures mean that it is now more likely that the costs may not be contained within the current budget, and may require additional funding.
- 5.7 Good progress is being maintained with all the detailed design work completed and the static completion dates now instructed and progress is being maintained on site. In the first quarter of the year the project has seen a number of packages completed such the acoustic wall spray to the Warehouse, the installation of timber linings in the auditorium tech frames, with packages nearing completion such as the steel support metalwork installation to the plantroom, theatre cross laminated timber jointing, and steel beam encasements, and perimeter insulation.
- 5.8 The project is seeing packages still progressing such as the Towers envelope secondary steel and boarding to South, Central, and North Towers, and the

Towers Level 7 external primary plant installation and the Theatre Envelope is also being installed to the South, West, and North elevations, with top sheet now being installed to the North elevation. The Truck lift is now in beneficial use for contractor to use which commenced at the end of May 2022.

- 5.9 The order for the fixed theatre seating has now been placed, and the only package left to procure is the Builders Clean at the end of the project.
- 5.10 A more detailed update is scheduled for Resources and Governance Committee in October.

Housing Infrastructure Fund (Victoria North)

- 5.11 The total budget for the Housing Infrastructure fund is £51.0m, and the project is due to complete in 2024. The project is broadly split into two packages of work, Infrastructure Works and River Works.
- 5.12 The main planning application for the Infrastructure Works has now been approved. Work continues on the enabling works (approved late last year), with the demolition of existing structures including the Creamline Dairies buildings, which was completed in June 2022. In late July work started on the demolition of the Honey Street retaining wall, which is part of the works to form the new haul road. Enabling work will continue throughout the summer, leading into the start on site of the main infrastructure work in September 2022. In the meantime, the design team are progressing the RIBA Stage 4 design, as the project moves towards the final contract stage for the main works package, and to discharge all relevant planning conditions to ensure the next stages of work can commence.
- 5.13 On the River Works, discussions have commenced in relation to the outcomes of the hydrology modelling, with a new preferred option for flood defences now agreed in principle. Design development will continue over the summer and autumn, working alongside the Environment Agency, with a planning application planned for submission by the end of the year. Works are currently scheduled to commence in Spring 2023
- 5.14 The project is reprofiling £7m into future years primarily down to variety of delays in getting ground investigation results for the flood scheme from the contractor and bad weather, which is having a knock-on effect on the wider programme. Results from site investigations have meant options are being modelled further and has caused delays to the design process. Decisions on other elements of the infrastructure package are being delayed due to costs being unknown on the flood defence design.

Carbon Reduction Programme including PSDS

- 5.15 The current budget for Carbon Reduction Programme and Public Sector Decarbonisation Fund (PSDS) is £19.6m and is forecasting to budget.
- 5.16 Phase 1 of the Carbon Reduction Programme is almost complete and will

save 1,400 tCO₂ annually. Remaining works include the installation of LED lighting at the Sharp Project (on site installation commenced) and at the Tennis & Football Centre. This project has been delayed as the building is being used as a vaccination centre. Energising the installed Solar PV at the Space Project & Sharp Project is also remaining, which is dependent upon Electricity North West.

- 5.17 Projects to deliver renewable generation at the National Cycling Centre and Hammerstone Road, part funded by the European Regional Development Fund (ERDF) are under review currently. Cost and time issues have emerged for both projects following the design development, as a result a revised scope of works (achievable within budget and by the imposed deadline of June 2023) has been submitted to the ERDF fund administrator for approval.
- 5.18 Public Sector Decarbonisation Scheme Phase 1 grant funded works completed at the end of June 2022, in line with the revised funding deadline. The one exception to this is the battery at Hough End Leisure Centre which has been delayed due to a manufacturing issue. Based on current guidance the cost of any works that complete beyond June 2022 will need to be met by the Authority, this cost is estimated to be circa £200k for which existing carbon reduction budget will be utilised.
- 5.19 Public Sector Decarbonisation Scheme Phase 3 grant funded works are in flight with an ambitious deadline of March 2023 for completion of works. The contractor for the works is in place and has recently completed feasibility studies have for 7 of the 8 buildings with detailed design due to commence in August 2022. Key risks to programme include the lead time for key components, in particular heat pumps and inverters for the Solar PV installations.
- 5.20 A delivery partner has been secured to complete 80 building energy audits, with the intention of developing a pipeline of carbon reduction investment proposals to take us up to 2025 and beyond. These energy audits will be used to inform future checkpoint submissions, drawing down against the previously budgeted £15m for additional carbon reduction works.
- 5.21 The PSDS programme is scrutinised and monitored regularly in order to satisfy funding requirements regarding completion date. Spend is weighted toward the end of the programme and the Project Manager and Quantity Surveyor are working closely together to ensure spend is maximised in year.

This City Housing Delivery Vehicle

- 5.22 The total current budget for This City Housing Delivery is £33.7m and the first scheme is scheduled to complete in 2023/24. It comprises a mixed development of market and accessible rent properties, which will transfer to the Council-owned company during the build. There are two sites being brought forward as the first phase of This City development. Both are at different stages of design and development.

- 5.23 The business plan for This City has been developed and is now in final form. The plan outlines the vision for the company, along with clear financial performance models, as well as a range of Key Performance Indicators and clear details on risk.
- 5.24 The procurement process has been completed for Ancoats (Rodney Street) and the preferred contractor for the scheme are currently working under a pre-construction services agreement (PCSA) until planning permission has been granted. The Northern Quarter (Postal Street) design continues to progress with sessions held with Planning to agree principles regarding orientation and massing of the development. These proposals are now being refined in line with the advice provided. Once the designs are further progressed, public engagement will be scheduled to gain feedback from the local community on the emerging development.
- 5.25 A number of key risks continue to be monitored and mitigated. Risk identification and management is even more imperative than usual due to the fact that This City is bringing its first sites forward in a significantly challenging time for delivery. Risks include the volatility of the construction sector and inflationary pressures, cashflow and changes in the private rent sector.

Back of Ancoats Mobility Hub and Public Realm

- 5.26 The project was approved in March 2022 with a total budget of £33m. The project is expected to complete in 2025/26.
- 5.27 For the Ancoats Mobility Hub, Bowmer & Kirkland (appointed via the Northwest Construction Hub under a two-stage design and build contract) have been progressing the RIBA Stage 3 design as part of their Pre-Construction Services Agreement. The Manchester Equipment and Adaptations Partnership (MEAP) have now relocated, and the Council has vacant possession of the site, which has been hoarded and secured. A process of design management / value engineering is currently underway to address inflationary cost pressures and Stage 2 pricing will take place later in the year, with the intention of making the main contract appointment and starting on site in Q1 2023.
- 5.28 In terms of the future operation of the Mobility Hub, further soft market testing has taken place to help refine the operating model and prepare the brief for the procurement of an operator for the Hub. A negotiated / competitive dialogue procurement is likely to be used.
- 5.29 Planning consent has been secured for the first project within the Public Realm Strategy (PRS), the removal of the Jersey Street bridge, and the tender for those works is currently out to the market. Design work on the second project within the PRS – Ancoats Green – is now underway, and residents, local members and stakeholders will be invited to a design workshop over the coming months. Later phases of the PRS will be reviewed in light of construction price inflation and proposals coming forward for schemes in the area e.g., Rodney St, Jersey Wharf etc.

- 5.30 The work is ongoing with the Neighbourhood Services and the Parks and Highways teams to agree the long-term management and stewardship arrangements for Ancoats.

Co-op Academy Belle Vue

- 5.31 The total budget for the Co-op Academy Belle Vue project is £31.5m and the project is on target for practical completion October 2022. The current forecast has been reduced by £0.8m due to the risk sum set aside for the provision of temporary units being returned to the client team. As a result of the long lead times in the supply of these units it has now been deemed too late to proceed. The all year £1.1m underspend will be returned to Unallocated Basic Need budget to be utilised on future projects.
- 5.32 During 2022/23 works on roofing and window installation have been completed and the roof is weathertight. Hard landscaping commenced drainage and the car park is progressing, the sports pitch contractor is now also on site. Brickwork is 65% complete and internal joinery has commenced and working through the school.
- 5.33 Key risk areas include the completion of Highways works. The works will not be completed for October 2022 and the programme is being agreed with contractor and MCC Highways. Arrangements are being made for safe access to the school.

Collyhurst

- 5.34 The current budget for the first phase of the Collyhurst Programme is £30.5m and is due to be spent by March 2024. The project has minimal slippage into future years due to the ongoing negotiations with FEC but remains within the overall budget.
- 5.35 During April to July there have been continued negotiations with FEC (Far East Consortium) in relation to delivery arrangements, with FEC continuing to work through the PCSA process with preferred contractor. Staff have also been progressing the Shared Ownership and Affordable Homes Programme (SOAHP) contract with Homes England and MCC legal. Community engagement has also been continuing for the project and liaising with residents affected by the scheme will continue next quarter.

Manchester Aquatic Centre

- 5.36 The current budget for the Manchester Aquatics Centre refurbishment is £30.5m and the project is scheduled to complete in Summer 2024.
- 5.37 The project has accelerated works of £2.4m in to 2022/23. The original forecast was based on a standard project planning model, however the actual forecast is more front loaded with high value MEP/specialist pool equipment costs earlier in the programme.

- 5.38 Works within the period includes continued removal of plant and equipment from the basement, filter vessel refurbishment and preparation for removal, commencement of ceramic tiling prep, installation of structural steel to the basement lift, ground floor and 1st floor.

Hammerstone Road Depot

- 5.39 The total budget for the Hammerstone Road Depot project is £25m. The project has seen a slippage of £3m in to 2023/24 due to a delay in entering into the main contract. The contract commencement date was 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. A letter of commitment has been issued to progress procurement of key packages.
- 5.40 During the first 4 months of 2022/23 the project has continued demolition and asbestos removal works to outbuildings. There has also been ongoing procurement of key packages and design fees associated with Cathodic protection, rainwater harvesting and retaining wall works.
- 5.41 The scheme remains a priority because of its strategic importance as the main depot facility owned by the Council, that is well located for servicing the whole city, that also plays host to other city services such as the library store, fleet and taxi servicing facilities and HGV electronic charging infrastructure.

6 Other material changes to the programme

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

Project	Current Budget 2022/23	Forecast at P4	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Manchester Cycleway	4.2	0.2	(4.0)	0.1	4.9	0.0
Levenshulme Active Neighbourhood	3.4	0.9	(2.5)	0.2	4.7	0.0
Network Refresh Programme	5.7	3.2	(2.5)	0.2	9.5	0.0
Northern Quarter Cycling Scheme	4.1	1.8	(2.3)	0.6	10.7	0.0
Piccadilly Gardens Early Works	1.6	0.3	(1.3)	0.1	1.8	0.0
Riverdale Maisonettes	1.2	0.2	(1.0)	0.0	2.5	0.0

Manchester Cycleway

- 6.2 Manchester Cycleway has slipped £4m as the scheme is subject to reprioritisation by MCC. Delivery of the scheme has been paused, with only development to be progressed at this stage. This will enable the forecast delivery funding allocation to be released to the wider MCC programme. Several components of this scheme require subsequent approvals - including maintenance agreements and commuted sums, informing the decision not to progress to delivery at this stage. The costs are forecast up to the end of RIBA Stage 4.

Levenshulme Active Neighbourhood

- 6.3 The project is split in to two phases, with Phase 1 currently on site. £2.5m has been reprofiled in to 2022/23 with phase 2 no longer commencing this financial as the project is awaiting final funding approval from GMCA which is due in April 2023. The outline design has also slipped and this is delaying the start of works.
- 6.4 At the start of 2022/23, the legal process has completed and the design of phase 2 has continued. Implementation the permanent phase one filters has started and this will continue into next quarter.

Network Refresh Programme

- 6.5 There is slippage on the Network Refresh Programme of £2.5m due to delays in equipment orders from suppliers. There is currently a worldwide shortage of networking components and issues with the global supply chain. The Council is actively working with the suppliers and the technology providers to escalate the priority of the Council orders. The project has just signed off the latest bill of materials and ordered the majority of the hardware needed to complete the programme. Using the existing hardware, the project is currently in the process of setting up a pilot environment which will allow the Council and the supplier to test the design, ready for wider implementation
- 6.6 The Network refresh Programme faces risks of costs increasing due to price increases from the suppliers although this is actively being managed to reduce the impact.

Northern Quarter Cycling Scheme

- 6.7 This scheme is split across 4 areas, Areas 1 and 3 have been completed.
- 6.8 The ongoing project has a slippage of £2.3m into 2023/24. Area 2 is subject to bus operator challenges that are having to be resolved and as such is impacting programme and design which is why some of the statutory cost's estimates are being realigned to suit revised programmes.
- 6.9 Area 4 is on hold and is not progressing as is part of the Mayors Challenge Fund reprioritisation works. Aspects of this project are currently subject to a Levelling Up Fund bid.

Piccadilly Gardens Early Works

- 6.10 There is a slippage of £1.327m on the Piccadilly Gardens Project as the procurement of the design team has slipped. The Piccadilly Gardens International Design Competition has involved significant consultation with the general public and stakeholders to ensure that the design brief considers the views of all interested parties, and this has delayed the launch of the competition. The concept designs have now been submitted but the evaluation of the submissions will take some time to complete as further consultations with key stakeholders take place. The selection of a winning design team has slipped into 2023/24.

Riverdale Maisonettes

- 6.11 This public sector housing scheme is carrying out improvement work to the three retained maisonettes in the Riverdale estate (28 properties in total). The project has reprofiled £1m in to 2023/24 due to the start date for Riverdale Maisonettes being set back from September 2022 to February 2023 as it has taken longer to complete the design work than anticipated.

7 General Programme Risks

- 7.1 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.
- 7.2 The significant inflationary pressures previously reported in the construction market are being maintained. The latest statistics from the Department for Business, Energy and Industrial Strategy (BEIS) for June 2022 show an overall increase of 26.4% in prices for 'all work' (new housing, other new work, and repairs and maintenance) compared to June 2021, and a 1.3% increase since the previous month. In particular, the price for concrete reinforced bars is up 58.2%, fabricated structural steel is up by 46.3% and pre-cast concrete products are up by 28.3% compared to prices seen in June 2021. While material prices continue to increase month on month, the rate of increase of total prices appears to have slowed slightly, perhaps reflecting a stabilising employment market following the upheavals of Brexit and a reduction in additional costs associated with the pandemic being passed on to the client.
- 7.3 This is clearly a considerable risk that impacts across 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 £28.0m for the whole programme which can be accessed if inflationary pressures are greater than the contingency budgets built into existing cost plans. Projects have requested drawdown of £6.7m to date to be approved by Council in October following Executive

approval in July. Officers will continue to monitor the construction market and seek to mitigate the price risks.

- 7.4 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.

8 Capital Resources

- 8.1 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.

	Draft Funding 2022/23 £m	Draft Funding 2023/24 £m	Draft Funding 2024/25 £m	Draft Funding 2025/26 £m	Draft Funding All Years £m
Grants	122.2	85.6	26.8	3.6	238.2
Contributions	26.2	15.9	2.3	0.0	44.4
Capital Receipts	36.3	8.1	5.4	7.5	57.3
Revenue Contributions to Capital	46.0	45.0	25.2	8.3	124.5
Capital Fund	4.9	3.6	1.3	0.0	9.8
Borrowing	271.2	162.0	67.4	15.0	515.6
Total	506.8	320.2	128.4	34.5	989.9

- 8.2 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.
- 8.3 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 2025/26.
- 8.4 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.
- 8.5 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.

9 Social Value

- 9.1 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.
- 9.2 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 Northwest 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 2021/22 reported to Executive in June. Some examples of the social value delivered to date during 2022/23 include:
- 9.3 Our Town Hall (OTH): Further engagement with schools has led to a significant rise in school/college career/employment sessions and STEM sessions, with a rise of 24 and 7 respectively over the previous 3 months. Having confirmed a total of 6 PlanBEE placements on the project for 2022, employers worked with the learning provider throughout May to recruit residents to these vacancies; a notable success of this round of recruitment being that 4 female applicants have been offered roles. In total across the project there have been an additional 17 Manchester resident apprentices employed in this reporting period, this is across all levels and all employers. Having established a new work placement model for 14-16 year olds, Lendlease and its supply chain has been delivering in school work experience to North Ridge SEND School students. Activities have been interactive, and STEM based with each session focusing on the Skills For Life strategy. Design team and consultants have also supported students in on site work placements throughout July, as well as supporting an additional 56 working age residents with work placements across the project.
- 9.4 Highways are currently using the Social Value Portal to track, monitor and report social value delivery across the service. Common areas of social value have been around community support e.g., offer of materials, labour and donations in kind as well as volunteering hours and help for the homeless. During the first 4 months of 2022/23 highlights have included:

Major Projects:

- Total community project donation of £5,000 for the creation of a pocket park on Thomas Street.
- Charitable donation of £1,500 to 'Don't Walk Past' charity to tackle homelessness in Manchester who are a voluntary outreach group to feed clothe and support rough sleepers City wide

Network Management:

- 16 hours volunteering at Chapel Street Keep Britain Tidy community event and 6 hours volunteering at a litter pick in Platt Fields Park.
- Bethell's scheduled a CV writing and interview training as part of their

apprenticeship scheme and there is a commitment to hold the training every 4 months over the four-year framework for 1 working day (8hours). So far 48 hours out of the 96 overall has been delivered.

- £28,252 donation by Bethells to Mustard Tree, Mancunian Way Charity, Manchester Dogs home, The Christies - MCR Children Hospital, MCC Central Neighbourhood Team
- Restoration of Hardy Farm Path (next to West Didsbury and Chorlton Football Club) by Rosgals, as part of SV commitment. Main works included drainage repairs, installation of footpath, tower lights, resurfacing and shrubbery removal.

10 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.

11 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.