

**Manchester City Council
Report for Information**

Report to: Executive – 16 November 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 September 2022.
- (b) The latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in September 2022.
- (c) The proposed financing of capital expenditure for 2022/23 and affordability of the Capital Programme.

Recommendations

Executive are asked to note the report.

Wards Affected: All Wards

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 £513.0m compared to the current approved budget of £582.9m. Spend as of 30th September 2022 was £150.4m. The £1,038.5m 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
- Report to the Executive 14th September – Capital Update Report
- Report to the Executive 14th September – Capital Programme Monitoring (P4)
- Report to the Executive 19th October – Capital Programme 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 September 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 £582.9m, with a further £455.6m budgeted to be spent across 2023-2025, taking the whole programme to £1,038.5m.

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, House of Sport, This City Housing Delivery Vehicle, Housing Affordability Fund, Special Educational Needs Grant Unallocated 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	52.5	40.5	39.9		(12.6)	14.7
Neighbourhoods	83.4	82.9	86.1		2.7	29.2
The Factory and St John's Public Realm	79.4	46.4	79.4		0.0	19.1
Growth and Development	118.0	97.6	95.3		(22.7)	16.8
Our Town Hall Refurbishment	82.3	76.5	74.9		(7.4)	24.6
Housing – General Fund	27.4	24.1	16.3		(11.1)	8.4
Housing – Housing Revenue Account	44.8	34.8	40.8		(4.0)	11.3
Children's Services	45.4	42.6	44.9		(0.5)	16.4
ICT	7.6	4.9	4.8		(2.8)	1.3
Corporate Services	15.2	15.1	15.2		0.0	8.6
Total (exc. contingent budgets)	556.0	465.4	497.6		(58.4)	150.4
Contingent Budgets	26.9	41.4	15.4		(11.5)	0.0
Total	582.9	506.8	513.0		(69.9)	150.4

- 4.2 The total forecast for the contingent budgets reflects additional grant allocations in 2022/23 for the SEN Grant and Housing Affordability Fund, and the utilisation of the Council's inflation budget reported in previous Executive reports.
- 4.3 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	39.9	28.2	5.2	0.0	0.0
Neighbourhoods	86.1	16.1	4.4	2.9	(0.1)
The Factory and St John's Public Realm	79.4	0.0	0.0	0.0	0.0
Growth and Development	95.3	93.5	29.9	3.6	(0.9)
Town Hall Refurbishment	74.9	86.1	40.7	0.0	0.0
Housing – General Fund	16.3	36.8	17.6	7.8	0.0
Housing – Housing Revenue Account	40.8	58.8	30.7	6.4	0.1
Children's Services	44.9	5.4	0.5	0.0	(0.1)
ICT	4.8	2.0	0.1	0.0	0.0
Corporate Services	15.2	1.4	0.5	0.0	0.0
Total (exc. Contingent budgets)	497.6	328.3	129.6	20.7	(1.0)
Contingent Budgets	15.4	18.0	28.2	0.0	0.0
Total	513.0	346.3	157.8	20.7	(1.0)

4.4 The report also shows an overall underspend of £1.0m against the programme. This includes:

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

4.5 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 2023 budget report.

4.6 A more focussed look at the top 10 projects is provided in Section 5 below. These projects cover 77.4% of the total programme. Section 6 provides details of any other material changes relating to other parts of the programme.

4.7 The programme contains some budgets yet to be allocated to specific projects but reserved for a particular purpose, such as Education Basic Need funding, 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.

4.9 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 P6	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Our Town Hall Refurbishment	82.3	74.9	(7.4)	24.6	306.4	0.0
The Factory and St John's Public Realm	79.4	79.4	0.0	19.1	229.8	0.0
Housing Infrastructure Fund (Victoria North)	20.0	8.5	(11.5)	2.7	51.0	0.0
Carbon Reduction Programme and Public Sector Decarbonisation Scheme	17.7	17.7	0.0	4.6	46.3	0.0
Collyhurst*	3.3	2.6	(0.7)	0.0	37.9	0.0
This City Housing Delivery Vehicle	12.7	2.7	(10.0)	1.6	36.1	0.0
Manchester Aquatics Centre	17.5	19.9	2.4	9.9	33.5	0.0
Back of Ancoats Mobility Hub and Public Realm	7.9	7.9	0.0	0.7	32.7	0.0
Hammerstone Road Depot	11.4	8.4	(3.0)	3.5	31.6	0.0
Co-op Academy Belle Vue	19.6	19.6	0.0	11.5	31.5	(0.4)

*Public and Private Sector Housing

Our Town Hall Refurbishment

5.2 Works continue to progress well on site for the Town Hall Project. As at October 2022, package procurement is in advance of 90%. There are 21 works packages still to procure, at a budget value of £17.5m. Despite a challenging 18-month period due to multiple factors including further impact of COVID-19, ongoing market and inflationary conditions, and other 'uncontrollable' elements such as nesting falcons, the contract date for completion of construction works remains 25 June 2024.

- 5.3 The project is still reporting on budget, but as a result of these challenges the budget remains under significant pressure. As the project team establishes better certainty on the level of the likely outturn position and the extent to which this can be covered within the existing inflation provision it will be known if a budget increase is likely to be required. The would be against the council's inflation contingency budget within the current approved capital programme, provided it has sufficient budget at the time the request is made. More information can be found in the detailed report that was considered at Resource and Governance Committee in October.
- 5.4 The project is 50% through the construction period, and the quality of the works continues to be first rate. Replacement facing stones and the window stone replacements to the Courtyard have started to be installed. A new lift core has opened from the lower ground level to the top of the building and steel is being erected to form a new lift shaft. Conservators have commenced works on the restoration of decorative finishes to the Great Hall ceilings, and mosaic repairs are well advanced to the ground floor corridors.
- 5.5 The project is making excellent progress against its Social Value objectives and has already exceeded a number of its KPI objectives. A significant percentage of project spend has been delivered in Manchester and opportunities for Manchester residents have been delivered through new jobs, training and development.
- 5.6 The Our Town Hall Refurbishment project is currently forecasting slippage of £7.4m 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 faces and structural alteration 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 £2.4m of contingency which has been reprofiled into future years.

Factory International

- 5.7 Executive approved a budget increase to Factory International in October, taking the total budget for Factory International and St John's Public Realm to £229.8m. This is due to go to Council in November, but for the purpose of this Capital Budget monitoring the budget increase has been applied in this financial year. A revised cash flow is expected later in the year, so there may be some reprofiling into 2023/24 required.
- 5.8 A detailed report has recently been to Resources and Governance Scrutiny and the previous Executive. This highlighted the positive benefits that Factory International is already having in the city and the role of the Factory Academy in supporting our residents and young people to access jobs and opportunities in the creative industries. The report also highlighted the financial challenges the construction project is facing.
- 5.9 As at October 2022, all the detailed design works have been completed and

static completion dates are now instructed. Of the work packages, £50.3m have gone through the final account stage, £58.8m have been procured at a fixed lump sum, £16.3m are provisional sums and £3.3m is year to be procured. Good progress is being maintained on site with internal and external works progressing well.

- 5.10 The project continues to be tightly managed and the Council is currently engaged in negotiations with the management contractor to conclude their costs for their remaining works. However, total cost surely will only be reached when all packages are procured, and the project is nearing completion.
- 5.11 The construction design for the St John's Public realm is moving towards completion to allow works to commence. Consultation of the Water Street adaptation has concluded, but a decision on the application of the prohibition of driving will not be decided until the consultation on the adaptation of Deansgate has also concluded. The Public Realm forecast is to budget and the project is expected to be completed in line with the overall programme.

Housing Infrastructure Fund (Victoria North)

- 5.12 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.
- 5.13 Detailed design and legal documents have now been completed for the main infrastructure works package and the contract is due to be signed and sealed in November 2022. The pre-construction services agreement (PCSA) has been extended with the main contractor BAM Nuttall in order to extend the works included in the enabling package. Treatment of invasive species and tree felling has already commenced. BAM have also set up their full site office and compound, ready for the full works starting. The site compound includes the Victoria North Community Hub, which is part of BAM's social value commitment and opens on 28th October 2022. Manchester will be operating from the hub, where they will be providing support to help families become economically active.
- 5.14 On the River Works package, the design team, in discussion with the Environment Agency, has developed a number of options for flood defences. These are currently under review, and are being discussed with the Council's joint venture partner FEC.
- 5.15 The project is reprofiling £11.5m into future years primarily down to 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

- 5.16 The current budget for Carbon Reduction Programme and Public Sector Decarbonisation Fund (PSDS) is £17.7m and is forecasting to budget.
- 5.17 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 (installation commenced and almost complete) and at the Tennis & Football Centre. This project has been delayed as the building is being used as a vaccination centre.
- 5.18 Projects to deliver renewable generation at the National Cycling Centre and Hammerstone Road, part funded by the European Regional Development Fund (ERDF) have been reviewed and scope amendments agreed with fund administrators. The Hammerstone Road Solar PV project will no longer be delivered with support of ERDF as it wasn't possible to achieve the June 2023 deadline for completion due to dependencies on essential refurbishment works. The intention is to still install solar PV on the roof of Hammerstone Road, but via the main refurbishment contract, making use of the existing carbon reduction budget. The solar car ports at the National Cycling centre will still be delivered, but a smaller scheme will be delivered due to budget increases as a result of design development and market pressures.
- 5.19 Public Sector Decarbonisation Scheme Phase 1 grant funded works completed at the end of June 2022 with the exception of some commissioning and handover activities and the delivery of the battery at Hough End Leisure Centre. The commissioning and handover costs will be funded via the grant; however, the battery cost and some minor ICT networking costs will need to be funded by the Authority and the existing carbon reduction budget will be utilised.
- 5.20 Public Sector Decarbonisation Scheme Phase 3 grant funded works are in flight with an ambitious deadline of March 2023 for completion of works. A contractor has been appointed to design and deliver this phase of works under the strategic partnership recently agreed. The works are in the detailed design phase, which is expected to complete in November 2022. Key risks to programme include the lead time for key components, in particular heat pumps and inverters for the Solar PV installations. Approval to raise early orders for long lead time items has been secured and the contractor has been instructed.
- 5.21 The programme has submitted a further bid for PSDS funding in round 3(b). The bid was for funding to deliver carbon reduction works within the Town Hall Extension and Woodhouse Park Leisure Centre. The total project value was £2.0m, of which £1.8m PSDS grant was requested. This investment is forecast to save circa 800 tCO₂ each year, a significant saving for the scale of investment. This largely as a result of the investment in the Town Hall Extension and the additional efficiencies that will be realised from the Civic Quarter Heat Network as a result.

- 5.22 A delivery partner has been appointed 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 £15.0m for additional carbon reduction works. Audits have commenced and are expected to complete early in the new year.
- 5.23 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

- 5.24 The total current budget for This City Housing Delivery is £36.1m. There are two sites currently being brought forward as the first phase of This City development. Both are at different stages of design and development
- 5.25 The business plan for This City has been developed and is now in final draft 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. Alongside this, a detailed piece of work is underway regarding investment models for potential phase 2 developments to be brought forward with a partner.
- 5.26 Planning permission has been granted for This City Ancoats (Rodney Street), with the preferred contractor for the scheme currently working under a pre-construction services agreement (PCSA). This City Northern Quarter (Postal Street) design continues to progress with sessions held with Planning to agree principles regarding orientation and massing of the development in order to finalise RIBA 2 design proposals.
- 5.27 This City is bringing its first sites forward in a significantly challenging time for delivery. The volatility of the construction sector, inflationary pressures, cashflow and changes in the private rented sector are all impacting on the business plan. An independent commercial review is currently underway, including a full cost and design assessment, to ensure the scheme remains financially viable whilst both demonstrating value for money for the Council and constituting an attractive proposition for residents and potential future investors. This is due to conclude in the next few months and £10m has been reprofiled into 2023/24.

Back of Ancoats Mobility Hub and Public Realm

- 5.28 The project was approved in March 2022 with a total budget of £32.7m. The project is expected to complete in 2025/26.
- 5.29 Demolition of the existing structures on site will commence in November and conclude before the end of the year. Changes to the external elevations and ground floor, plus the introduction of a layby on Poland Street, require a s73

planning application. This will be submitted at the start of the December. Design development has continued in order to try to mitigate the impact of construction inflation on the project, but the project may require additional funding.

- 5.30 Soft market testing is due to take place for the future operation of the Mobility Hub in the coming weeks prior to a tender being issued.
- 5.31 Within the Public Realm Strategy (PRS), tenders have now been received for the work on Jersey Street Bridge and the Council are in negotiations with a contractor to start on site January 2023 for a period of 4 months. Ancoats Green design is progressing and design workshops with local residents have taken place Site surveys and tree surveys are now complete with the intention to get to design freeze by end of November 2022.
- 5.32 Work is progressing on a Traffic Regulation Order (TRO) strategy that supports the functioning of the Mobility Hub, stops rat running through the area and creates streets that are pedestrian and cycle friendly and not dominated by vehicular traffic.

Co-op Academy Belle Vue

- 5.33 The total budget for the Co-op Academy Belle Vue project is £31.5m and construction packages continue to be completed in line with the revised programme. There has been some minor programme movement due to productivity problems associated with drylining and ceiling installation which are continuing to have a stacking effect on M&E installation and commissioning, which in turn delays the finishing trades from freely progressing. However, the project is now due for practical completion in November 2022, with handover to Co-op agreed for the end of that month.
- 5.34 The current forecast has been reduced by £0.4m 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.
- 5.35 All permits for the Highways work included in the project were issued by the Council on 22nd September with works commencing to Hyde Road in early October. This work is programmed to be complete by mid-January 2023.

Collyhurst

- 5.36 In September 2022, Executive approved a budget increase of £6.6m for the Victoria North Collyhurst programme, increasing the budget for the first phase of the Collyhurst Programme to £37.9m. This 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.
- 5.37 During the period, there has been significant progress with the drafting of the legal agreements with FEC (Far East Consortium) and commercial

negotiations, resulting in the finalisation and acceptance of the commercial offer for the scheme. FEC continue to work through the PCSA process with preferred contractor and the Shared Ownership and Affordable Homes Programme (SOAHP) contract with Homes England is being finalised. Community engagement continues, liaising with residents affected by the scheme.

Manchester Aquatic Centre

- 5.38 Following the successful application to host the World Para Swimming Championships in 2023, Executive approved a capital budget increase of £3.0m in July 2022 to allow for a rephasing of refurbishment works. The current budget for the Manchester Aquatics Centre refurbishment is £32.5m and the project is scheduled to complete in Summer 2024.
- 5.39 Work within the period includes continued removal of plant and equipment from the basement and the continuation of the ceramic tiling preparation. Work also continues to the filter vessel refurbishment and pool tank areas. There are some risks to the project, the condition of the existing pool tanks is being monitored and investigation works instructed for the leaking from the roof/roof lights. However, the key risks remain the significant inflationary pressures.
- 5.40 The project requires acceleration 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.

Hammerstone Road Depot

- 5.41 In July 2022, Executive approved a budget increase of £6.6m for the Hammerstone Road Project, for increased works required alongside inflationary pressures. The total budget for the Hammerstone Road Depot project is now £31.6m. The project requires reprofiling of £3.0m in to 2023/24 due to a delay in entering into the main contract 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.
- 5.42 The main contract for the scheme has now been signed with a start date of 24th October. Demolition work across the site have completed as well as the internal relocation of Biffa to enable the complete strip out of the Plating Shed and scaffolding works have begun. Elsewhere, procurement of key works packages is ongoing, including MEP, cladding, structural steel and windows, and further investigation surveys are being carried out in relation to the cathodic protection.
- 5.43 The scheme remains a priority because of its strategic importance as the main depot facility owned by the Council. It is well located for servicing the whole city, is the depot that forms part of the waste collection contract with

Biffa, and hosts 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 P6	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Special Educational Needs Grant Unallocated	7.7	1.0	(6.7)	0.0	18.7	0.0
Housing Affordability Fund	9.1	4.6	(4.5)	0.0	9.1	0.0
Manchester Cycleway	4.2	0.2	(4.0)	0.1	4.9	0.0
House of Sport	7.3	4.0	(3.3)	2.6	9.4	0.0
Network Refresh Programme	5.6	2.6	(3.0)	0.3	9.5	(1.0)
Northern Quarter Cycling Scheme	4.1	1.5	(2.6)	0.8	10.7	0.0
Levenshulme Active Neighbourhood	3.4	1.0	(2.4)	0.3	4.7	0.0
Carriageway Preventative	3.3	1.3	(2.0)	0.8	24.4	(0.4)
HOME Arches	2.1	0.6	(1.5)	0.2	2.7	0.0

Special Education Needs Grant Unallocated

6.2 Within the contingent budgets there is budget of £7.7m for Special Educational Needs Grant unallocated. A report was submitted to Executive in October 2022 recommending that this budget will be used to fund a new special high school and to agree that the Council undertakes a consultation to gather views on these plans as a first step towards identifying a provider for the new school.

6.3 A total of £6.7m has been reprofiled into 2023/24 to allow for early market testing to be undertaken and for a full business case to be developed. Following this, an accurate profile of spend for the proposed scheme will be presented to Executive.

Housing Affordability Fund

6.4 Following the Council's approval of the Housing Affordability Policy Framework in December 2016, in October 2017 the Council's Executive agreed to establish the Housing Affordability Fund (HAF) to bring together in one place a range of funding streams targeted at the provision of affordable

homes. The HAF is to support schemes to enable them to be delivered by providing GAP funding, supplementing any existing grants, and funding already in place to get them off the ground and or deliver more quickly. The funding will be used as a form of 'top-up' for schemes that are still marginal due to low rental and sales values.

- 6.5 The fund is expected to deliver a range of affordable housing types needed for Manchester residents including acquisitions and refurbishment of large properties for families living in temporary accommodation, reducing the pressure on homelessness and ensuring housing needs of large families are met. Other empty properties will be brought back into use for Affordable Home ownership and to also provide move on from homelessness accommodation. It is expected that the majority of grant applications to the Housing Affordability Fund will be made in 2023/24 and as a result a total of £4.5m will be reprofiled into next financial year.

Manchester Cycleway

- 6.6 As reported to Executive in September, the Manchester Cycleway scheme has slipped by £4.0m. 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.

House of Sport

- 6.7 Due to the discovery of unforeseen building condition issues within the House of Sport project, including inadequate or missing fire compartmentation/dampers, floor screed delamination across most of the existing floor slab, and roof and gutter leaks, a total of £3.3m has slipped into 2023/24. These issues have had an impact to works on site, causing delays whilst solutions were agreed and implemented. The project is due to complete in 2023/24.

Levenshulme Active Neighbourhood

- 6.8 Phase 1 of the two phased Levenshulme Active Neighbourhood project continues on site. A total of £2.4m has been reprofiled in to 2022/23 with phase 2 no longer commencing this financial year as the project is awaiting final funding approval from GMCA which is due in April 2023. The outline design is also taking longer than originally anticipated which is pushing back the start of the works.
- 6.9 The legal process has completed and the design of phase 2 continues. Implementation of the permanent phase one filters has continued this quarter.

Network Refresh Programme

- 6.10 There is slippage on the Network Refresh Programme of £3.0m 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. As mitigation, the project plan has been revised in line with known hardware supply dates and the team will look to complete prerequisite tasks that are not dependant on hardware, reducing the time to complete the implementation phase.
- 6.11 A bill of materials has been signed off and the majority of the hardware has now been ordered in order to complete the programme. Using the existing hardware, the project continues to set up the pilot environment which will allow the Council and the supplier to test the design, ready for wider implementation
- 6.12 Significant risks to the Network refresh Programme are the likelihood of cost increases due to price increases from the suppliers. This is actively being managed to reduce the impact.

Northern Quarter Cycling Scheme

- 6.13 This scheme is split across 4 areas, Areas 1 and 3 have been completed.
- 6.14 As reported to Executive in September, the ongoing project has a slippage of £2.6m 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.
- 6.15 Further to this, 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.

Carriageway Preventative

- 6.16 The Carriageway Preventative Programme will require reprofiling of £2.0m into next financial year due to procuring a resource to carry out the works taking longer than originally anticipated. These works are now expected to begin in Spring 2023 and therefore the project will run into next financial year. The overall estimated cost is expected to reduce as some roads are no longer suitable for this treatment. Any remaining budget will be utilised against other Highways projects.

HOME Arches

- 6.17 A redesign of the HOME Arches project has been carried out, as the original design exceeded the awarded Government grant. This process took 2 months and has therefore pushed back the date to enter into a contract. As a result, a total of £1.5m has slipped into future years. A revised cost plan has now been

received.

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 £11.3m for the whole programme which can be accessed if inflationary pressures are greater than the contingency budgets built into existing cost plans.
- 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	106.6	83.1	41.8	3.6	235.1
Contributions	29.0	19.8	0.0	0.0	48.8
Capital Receipts	37.0	27.0	12.6	7.8	84.4
Revenue Contributions to Capital	47.2	45.9	22.7	6.4	122.2
Capital Fund	5.3	3.2	1.3	0.0	9.8
Borrowing	287.9	167.3	79.4	2.9	537.5
Total	513.0	346.3	157.8	20.7	1,037.8

- 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): Throughout July OTH project employers supported a total of ten school aged work placement students in office-based work placements. The students came from five different educational establishments across Manchester. Plans are in place to support another Manchester school with 'in school' work placements in Q3 of 2022. Lendlease graduates have been working with young Manchester residents at Gorton Youth Zone to offer a range of support services; this includes money management sessions as well as introductions to STEM learning. This support will continue through the coming months. NG Bailey and Lendlease have also hosted golf days in support of Manchester organisations, raising money for Royal Manchester Children's Hospital and Wood Street Mission respectively. STEM podcast recordings have continued to take place on site. This quarter an apprenticeship 'myth busting' podcast was recorded with contributions from four different apprentices all studying at different levels. Appropriate social media posts will be used to promote this podcast to Manchester residents with a view to supporting the choices of those in educational transition from one level of study to another.
- 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 second quarter of 2022/23 highlights have included:

Major Projects:

- Donation in kind of £10,000 for the installation of four shed bases to Hardy Farm which is a path and green space next to West Didsbury and Chorlton football club.
- Charitable donations of £2,200 to Greater Manchester Christmas Toy Appeal and £5,000 to support the Northwest Ambulance Service Charity Bike Ride.

Network Management:

- Donation of soil and plants towards Eco School awards at St Richard's Primary, Longsight.
- Rosgals invested over £6,000 to drop four kerbs on the street after learning of disabled resident who was unable to access the park on Bowler Street, Levenshulme.
- £1,000 donation in kind to SPIN (supporting People in Need), a charitable organisation in Manchester, tackling the ongoing issue of homelessness and poverty

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.