

**Manchester City Council
Report for Resolution**

Report to: Executive – 15 February 2023
Council – 3 March 2023

Subject: Capital Programme Monitoring Q3 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 December 2022.
- (b) The latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in November 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 £443.8m compared to the current approved budget of £575.8m. Spend as of 31st December 2022 was £259.4m. The £1,047.9m 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.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Tom Wilkinson
Position: Deputy City Treasurer
Telephone: 0161 234 1017

E-mail: tom.wilkinson@manchester.gov.uk

Name: Tim Seagrave
Position: Commercial Finance Lead
Telephone: 0161 234 3445
E-mail: tim.seagrave@manchester.gov.uk

Name: Kate Stonehouse
Position: Group Finance Lead – Capital, Commercial and Treasury
Management
Telephone: 0161 245 7856
E-mail: kate.stonehouse@manchester.gov.uk

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 2022 – Capital Update Report
- Report to the Executive 14th September 2022 – Capital Programme Monitoring (P4)
- Report to the Executive 19th October 2022 – Capital Update Report
- Report to the Executive 16th November 2022– Capital Programme Monitoring (P6)
- Report to the Executive 16th November 2022 – Capital Update Report
- Report to the Executive 14th December 2022 – Capital Update Report
- Report to the Executive 18th January 2023 – 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 nine months to the end of December 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 £575.8m, with a further £472.1m budgeted to be spent across 2023-2025, taking the whole programme to £1,047.9m.

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 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 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, The Factory (Build), Campfield Redevelopment, Galleries Collection Housing, This City Housing Delivery Vehicle, Housing Affordability Fund, Fire Risk Assessments, Hammerstone Road, 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	54.1	40.5	39.9	37.5	(16.6)	24.8
Neighbourhoods	83.6	82.9	86.1	73.3	(10.3)	46.2
The Factory and St John's Public Realm	79.4	46.4	79.4	60.9	(18.5)	33.1
Growth and Development	117.8	97.6	95.3	84.9	(32.9)	46.1
Our Town Hall Refurbishment	82.3	76.5	74.9	68.7	(13.6)	40.2
Housing – General Fund	27.4	24.1	16.3	17.4	(10.0)	13.0
Housing – Housing Revenue Account	45.9	34.8	40.8	32.4	(13.5)	17.4
Children's Services	47.5	42.6	44.9	43.6	(3.9)	25.5
ICT	7.6	4.9	4.8	4.3	(3.3)	2.5
Corporate Services	15.1	15.1	15.2	15.0	(0.1)	10.6
Total (exc. contingent budgets)	560.7	465.4	497.6	438.0	(122.7)	259.4
Contingent Budgets	15.1	41.4	15.4	5.8	(9.3)	0.0
Total	575.8	506.8	513.0	443.8	(132.0)	259.4

- 4.2 The total forecast for the contingent budgets reflects additional grant allocations in 2022/23 for the 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	Total All Years	All Years Variance to Current Budget
Highways	37.5	27.0	6.0	8.2	78.7	(0.2)
Neighbourhoods	73.3	29.3	5.8	2.1	110.5	(0.1)
The Factory and St John's Public Realm	60.9	18.6	0.0	0.0	79.5	0.0
Growth and Development	84.9	100.5	36.9	3.6	225.9	(1.4)
Town Hall Refurbishment	68.7	86.4	46.6	0.0	201.7	0.0
Housing – General Fund	17.4	32.1	21.1	8.5	79.2	0.0
Housing – Housing Revenue Account	32.4	49.4	44.1	11.6	137.4	0.0
Children's Services	43.6	23.3	3.6	0.0	70.5	0.0
ICT	4.3	2.6	0.0	0.0	6.9	0.0
Corporate Services	15.0	1.5	0.5	0.0	17.0	0.0
Total (exc. Contingent budgets)	438.0	370.7	164.6	34.1	1,007.3	(1.7)
Contingent Budgets	5.8	8.9	24.2	0.0	38.9	0.0
Total	443.8	379.6	188.8	34.1	1,046.2	(1.7)

4.4 The report also shows an overall underspend of £1.7m against the programme. This includes:

- £0.2m for Greater Manchester Improvement Programme Development Costs Tranche 1 (Highways),
- £0.8m for Heron House,
- £0.6m for House of Sport,
- £0.1m for the Cremator & Mercury Abatement project which is nearing completion.

4.5 The budget will be reduced by these amounts at Outturn. There are a number of projects which are currently forecast to require reprofiling over years, which will also be reflected in the Outturn report.

4.6 A more focussed look at the top 10 projects is provided in Section 5 below. These projects cover 79.9% 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, 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.

- 4.8 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 P9	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Our Town Hall Refurbishment	82.3	68.7	(13.6)	40.2	306.4	0.0
Factory International and St John's Public Realm	79.4	60.9	(18.5)	33.1	229.8	0.0
Housing Infrastructure Fund (Victoria North)	20.0	9.9	(10.1)	5.9	51.0	0.0
Carbon Reduction Programme and Public Sector Decarbonisation Scheme	17.7	17.7	0.0	4.9	46.3	0.0
Collyhurst*	3.3	2.7	(0.6)	1.2	37.9	0.0
This City Housing Delivery Vehicle	12.7	2.7	(10.0)	1.8	36.1	0.0
Manchester Aquatics Centre	17.5	19.7	2.3	18.5	33.5	0.0
Back of Ancoats Mobility Hub and Public Realm	7.9	3.9	(4.0)	1.8	32.7	0.0
Hammerstone Road Depot	11.4	7.8	(3.6)	5.1	31.6	0.0
Co-op Academy Belle Vue	19.6	18.6	(1.0)	15.3	31.5	(1.4)

*Public and Private Sector Housing

Our Town Hall Refurbishment

- 5.2 Works continue to progress well on site for the Town Hall Project. As of January 2023, package procurement is up to 91%. There are £12m worth of works packages currently out to tender. Packages currently being assessed

include the joinery packages and the next to be tendered are specialist decorations.

- 5.3 Despite a challenging 18-month period due to multiple factors including further impact of COVID-19, ongoing market and inflationary conditions, 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, the extent to which this can be covered within the existing budget contingencies and inflation provision will be known. It is expected that sufficient cost surety will be known by summer 2023 to provide an accurate final outturn projection.
- 5.4 The quality of works on the project continues to be high. In early 2023 works underway include the scaffolding in the Great Hall being dropped following the restoration of the Great Hall ceiling, timber cleaning and repairs to the leaded windows. Work is also progressing on the temporary roof over the Princess Street elevation to enable roof repairs and the construction of the plant deck to progress. Other timber repairs to the roof, gutters, chimneys and repairs to leaded lights are being undertaken.
- 5.5 The project continues to make excellent progress against its social value 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 reprofiling of £13.6m in to 2023/24. This is due to a reduction of £3.3m in the forecasted contingency spend in this financial year. As reported to Executive in November 2022, this is also due to the delayed commencement to a substantial part of the Mechanical, Electrical and Plumbing (MEP) installation works to enable some further works to work faces and structural alteration works to be carried out.

Factory International

- 5.7 As of January 2023, all the detailed design works have been completed and static completion dates are now instructed. The project has now reached 84% cost certainty and good progress continues to be maintained on site. The internal and external works are progressing well, specifically, the first proscenium door is now on site ready to be installed and the high-level MEP installation is being completed, enabling the scaffolding to be dropped and the roofing to commence. The project has introduced a number of acceleration measures to various work packages including the central tower envelope works which are progressing well.
- 5.8 Executive approved a budget increase to Factory International in October 2022, taking the total budget for Factory International and St John's Public Realm to £229.8m. £16.8m of the budget is being reprofiled into 2023/24 to reflect the latest programme and payment dates and the alignment of the budget to programme is constantly being reviewed. The static completion

dates are being achieved ready for the opening in June 2023. The Council is engaged in ongoing negotiations with the management contractor to conclude their costs for their remaining works. Total cost surety will only be reached when all packages are procured, and the project is nearing completion.

- 5.9 Works are progressing to the St John's Public realm, with some works accelerated to enable the delivery of the First Breath area to support the event celebrating new life in Manchester which took place in January 2023. The prohibition of driving order has been advertised. The Public Realm is forecasting slippage of £1.7m due to changes in programme.

Housing Infrastructure Fund (Victoria North)

- 5.10 The Housing Infrastructure Fund (HIF) Programme is helping to underpin the future delivery of 5,500 homes in the adjacent neighbourhoods of Red bank and New Town within the Victoria North initiative area. The Victoria North initiative is being driven through a joint venture partnership between the Council and Far East Consortium (FEC). 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.
- 5.11 The contract for the main infrastructure works was signed and sealed in November 2022. The pre-construction services agreement (PCSA) has been extended with the main contractor in order to extend the works included in the enabling package. The contractor has also set up their full site office and compound, ready for the full works starting. The site compound includes the Victoria North Community Hub, part of the social value commitment which opened in October 2022. Manchester is now operating from the hub, providing support to help families become economically active.
- 5.12 FEC's Victoria Riverside scheme, consisting of 634 apartments and townhouses is currently progressing on site. FEC have undertaken a rolling programme of public consultation in advance of the planned submission of detailed planning applications for their further plots and the intention is these applications will come forward in 2023.
- 5.13 On the River Works package, planning for flood alleviation works has been delayed. Following completion of the modelling of the various flood defence options, a new favoured option to tackle flood defence is being developed which involves replacing Scotland Bridge. BAM and Arup are undertaking further investigations as part of the design development, to assess the feasibility of the scheme.
- 5.14 The project is reprofiling £10.1m 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. As above, a new option is being developed with further investigations being carried out, causing 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 total current budget for the Carbon Reduction Programme and Public Sector Decarbonisation Fund (PSDS) is £46.3m and is forecast 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 (installation commenced and almost complete) and at the Tennis and Football Centre. This project has been delayed as the building is being used as a vaccination centre. A final account for Phase 1 will be done upon completion, as well as ongoing reports detailing the total carbon savings made as result of the project.
- 5.17 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 due to dependencies on essential refurbishment works. The intention is still to 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 as a smaller due to budget pressures arising from design development and market pressures.
- 5.18 Public Sector Decarbonisation Scheme Phase 3 grant funded works are in flight. A contractor was appointed and upon completion of detailed designs it became apparent that further Council funding would be required. A virement from the existing Carbon Reduction Programme budget was approved in December 2022, meaning the total scheme is now £12.6m of which £3.9m is grant funded. Sub-contractor tendering is being undertaken in January 2023 and a works contract is expected to be put in place imminently. It is anticipated that works will begin on site in early February 2023, but with the ambitious grant deadline of all expenditure to be incurred by March 2023, there remains a key risk that the Council may become liable for the cost of any work not completed by this date. To mitigate this, approval was secured to make early orders on a number of components such as heat pumps which had long lead times.
- 5.19 The programme has submitted a further bid for PSDS funding in round 3(b) to deliver carbon reduction works within Woodhouse Park Leisure Centre. The total project value was £1.2m, of which £0.3m PSDS grant was requested. This investment is forecast to save circa 52 tCO₂ each year. There are further possible decarbonisation works that could be done at the Leisure Centre which will be explored as part of the wider project. The outcome of the bid is expected in early 2023.
- 5.20 The delivery partner 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, has completed batch 1 of the first 20 buildings up to RIBA Stage 2. The Council will now undertake stakeholder engagement and other initial works required to determine of these which buildings should progress to RIBA Stage 3. These energy audits will be used to inform future checkpoint submissions, drawing down against the previously budgeted £15.0m 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.

Collyhurst

- 5.22 The budget for the first phase of the Collyhurst Programme, due to be spent by Spring 2024, is £38.0m. The project has minor slippage of £0.6m into future years due to the ongoing negotiations with FEC but remains within the overall budget.
- 5.23 During the period, pre commencement and first progress meetings have been held with the contractor/developer for the project. 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 now finalised with the grant agreement also complete. Discussions have progressed with affected owner-occupiers regarding CPO/Relocation assistance. The market value compensation process has also commenced.

This City Housing Delivery Vehicle

- 5.24 The total current budget for This City Housing Delivery is £36.1m. There are two sites in 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, alongside a range of key performance indicators and details on risk. A detailed piece of work is underway on the investment model that would enable potential phase two 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. The inflationary pressure on the This City Ancoats scheme has been identified as part of the design work with the contractor, and the scheme is forecast to require a further £12m. This request forms part of the Capital Strategy report elsewhere on the agenda.

Manchester Aquatic Centre

- 5.28 Following the successful application to host the World Para Swimming Championships in 2023, works for Phase 2 on the Manchester Aquatics Centre refurbishment have now been instructed to commence in Summer 2023. The total current budget is now £33.5m and the full project is scheduled to complete in Summer 2024.
- 5.29 Works on Phase 1 are continuing to progress on programme, and activities within the period include reinforcing the mezzanine plant deck flooring and fire stopping works to meet building regulations. Work on the roof repairs is also underway. Completion of Phase 1 works has been estimated for Spring 2023. The main project risks relate to historic design failures which the intrusive surveys could not have discovered. These include missing fire stopping and roof compartmentation. The team are working hard to contain the costs to correct these issues within the approved budget.
- 5.30 The project requires acceleration of £2.3m in to 2022/23 in line with the revised plan now that instruction has been confirmed on Phase 2 works.

Back of Ancoats Mobility Hub and Public Realm

- 5.31 The Back of Ancoats Mobility Hub and Public Realm project was approved in March 2022 with a total budget of £32.7m. The project is expected to complete in 2025/26.
- 5.32 Demolition of the existing structures on the Poland Street site was completed in December, and a planning application for the changes to the external elevations and ground floor of the Hub was submitted in the same month. This will keep the project on track to start on site in June. Soft market testing for the future operator of the Mobility Hub is underway and will be followed by a formal tender being issued.
- 5.33 Within the Public Realm Strategy (PRS), a contractor has been appointed to undertake works to Jersey Street bridge. The bridge removal will start on site in March 2023 for a period of six months. These works are being coordinated with adjacent landowners.
- 5.34 A planning application for the refurbishment of Ancoats Green will be submitted in January 2023 following design workshops held with local residents last autumn. Works to the Green are expected to start later this year.

- 5.35 Work has continued to design the Traffic Regulation Order (TRO) strategy that will help to prevent rat running in Ancoats and create streets that are pedestrian and cycle-friendly. Consultation will be undertaken once a traffic count and traffic modelling has been completed.

Hammerstone Road Depot

- 5.36 The total budget for the Hammerstone Road Depot project is £31.6m. Activities delivered in the period include strengthening works and asbestos removal and roof works and scaffolding for the roof installation ongoing. Phase 2-3 scaffolding to the Loco Shed has also been completed. Underpinning works have completed for the sub-station.
- 5.37 The scheme remains a priority as the main depot facility owned by the Council. It is well located for servicing the whole city, forms part of the waste collection contract and hosts other city services such as the library store, fleet and taxi servicing facilities and HGV electronic charging infrastructure.
- 5.38 As reported in November 2022, the project requires reprofiling of £3.0m in to 2023/24. There was a slight in entering into the main contract to allow further investigative works to be completed which will reduce the risk within the main contract.

Co-op Academy Belle Vue

- 5.39 The construction of the new Co-op Academy Belle Vue, a 1,200 place secondary school on Hyde Road, is now complete and the school has been handed over for any snagging works to be identified. Staff and pupils from a Council primary school moved into the premises temporarily on 23rd January 2023 whilst some constructions works under the Council's Schools Maintenance Programme are undertaken over the spring and summer terms, with Co-op Academy Belle Vue opening officially for September 2023.
- 5.40 All associated Highways works surrounding the site are programmed to be complete by the end of January 2023 in time for the primary school moving into the site.
- 5.41 The scheme is currently forecast to underspend by £1.4m against the budget of £31.5m as not all of the risk and contingency allowances have been required. Once the snagging works are complete, a final account will be issued, and this figure will be finalised. Any unspent budget will be ringfenced to future education projects.

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 P9	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Housing Affordability Fund	9.1	0.5	(8.6)	0.0	9.1	0.0
Campfield Redevelopment	10.6	2.3	(8.3)	0.0	17.5	0.0
Galleries Collection Housing and Remediation Works	6.8	0.7	(6.1)	0.0	8.3	0.0
Fire Risk Assessments	5.1	0.8	(4.3)	0.6	6.5	0.0
Manchester Cycleway	4.2	0.2	(4.0)	0.1	4.9	0.0
Network Refresh Programme	5.6	2.5	(3.1)	1.1	9.5	(1.0)
Northern Quarter Cycling Scheme	4.1	1.4	(2.7)	1.1	10.7	0.0
Rugby Football League – Beswick Hub	2.6	0.0	(2.6)	0.0	3.0	0.0
Footway Schemes	4.3	2.0	(2.3)	1.5	9.9	0.0
Carriageway Preventative	3.3	1.2	(2.1)	0.9	23.6	(0.8)
Levenshulme Active Neighbourhood	3.4	1.3	(2.1)	0.7	4.7	0.0

Housing Affordability Fund

- 6.2 Following the Council’s approval of the Housing Affordability Policy Framework in December 2016, the Housing Affordability Fund (HAF) was established to bring together a range of funding streams such as S.106 commuted sums and right to buy receipts, targeted at the provision of new affordable homes. It is designed to support schemes by providing GAP funding, supplementing existing grants, and funding to support scheme delivery and can be used as a form of ‘top-up’ for schemes that are still marginal due to low rental and sales values. As reported to Executive in November 2022, 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 £8.6m will be reprofiled into next financial year.

Campfield Redevelopment

- 6.3 The Campfield Redevelopment is the creation of a new media and tech industries cluster in the St John’s Strategic Regeneration Framework (SRF) area. It will deliver workspaces and studio spaces, to attract and support start-up, recovery, and scale-up businesses around tech, innovation and media through the re-adaptation of three buildings, including two heritage buildings,

which have reached the end of their economic life.

- 6.4 In 2022, the Council was successful in a bid to the Levelling Up Fund for the Culture in the City project which includes the Campfield Redevelopment. The grant funding will cover the conversion of the two heritage Campfield Market buildings, with the third, Castlefield House, to be delivered by Allied London using their own investment. The Council has capital programme approval to acquire Castlefield House, which is being significantly redeveloped and extended as grow on space for new media and tech businesses. The building will be acquired on completion of the building works. All three properties will then be leased back to Allied London, on completion of the refurbishment works. The exchange of legal agreements completed in December 2022 and the budget has been reprofiled to match the agreed delivery timescales with the majority of spend now taking place in 2023/24. A total of £8.3m will be reprofiled into the next financial year.

Galleries Collection Housing

- 6.5 In July 2022, Executive approved essential safety and remediation works at the City Art Gallery and Queens Park Conservation Studios, to continue to maintain both buildings as operational assets. The works required will be the most significant carried out since the last major refurbishment in 2000 and include addressing basement damp/water ingress, replacing electrical and mechanical parts (including lifts), critical stone repairs and design and roof works. Design works are underway with the majority of the construction scheduled for the next financial year, hence a total of £6.1m will be reprofiled into 2023/24.

Fire Risk Assessments

- 6.6 Within the Operational Housing portfolio, there is ongoing mandatory work being undertaken around Fire Risk Assessments. Such works are required across the operational housing estate in low rise, medium rise, sheltered housing blocks and high-rise blocks to ensure compliance with fire safety legislation and regulations. The project is reporting slippage of £4.3m due to the current level of refusals received as well as access issues with phase 2 of the works. It is now anticipated that works will conclude in 2024/25.

Manchester Cycleway

- 6.7 Executive Members were advised in November that due to significant increases in cost across the Mayors Challenge Fund programme, the Manchester Cycleway scheme could not be delivered within the current programme entry allocation and the funding gap was estimated at approximately £4.0m. As a consequence, the delivery of the main scheme has been paused with only the design and development work now being progressed. If further funding can be identified and the scheme can be delivered, further approvals will be required.

IT Network Refresh Programme

- 6.8 The Network Refresh Programme consists of the Local Area Network (LAN), the Wireless Local Area Network (WLAN) and the Wide Area Network (WAN) projects. These are running concurrently as part of the Network Refresh Programme (NRP) and will change the way the ICT network is delivered, providing fit for purpose modern networking technology to meet the requirements of MCC. The NRP is currently in the proof-of-concept phase and with the implementation phase forecast to commence in April 2023.
- 6.9 There is slippage of £2.1m due to delays in equipment orders from suppliers, linked to the 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. Preparation works that are not dependant on hardware are being completed to reduce the time to complete the implementation phase. There is also an anticipated underspend of £1.0m on the WAN element of the programme due to released contingency and a reduction in the number of sites, with a further 30 sites receiving a more cost-efficient connectivity than originally anticipated.
- 6.10 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

- 6.11 This scheme is split across 4 areas, Areas 1 and 3 have been completed.
- 6.12 As reported to Executive in November, the ongoing project requires reprofiling of £2.7m into 2023/24. Area 4 (Shudehill) will not be delivered, as design issues could not be resolved around the High St junction with Shudehill Bus Station, and will now form part of a future Active Travel Fund (ATF) funding bid. The bus operator challenge in Area 2 (Stevenson Square) has been resolved but unfortunately this challenge impacted on the programme and design timelines. It is anticipated that Area 2 will now be completed in Summer 2023.

Rugby Football League – Beswick Hub

- 6.13 The Rugby Football League (RFL) – Beswick Hub project is to build a new rugby league coaching and educational facility on the existing rugby ground on land to the rear of the East Manchester Academy. The scheme will deliver a facility for RFL, but also as an asset which can be used by the local community including students attending the adjacent East Manchester Academy and Connell Sixth Form College. The project is currently on hold as the costs for the original design exceed the approved budget and options to bring the scheme back into budget are being explored. As a result, £2.6m budget will be reprofiled into 2023/24.

Footway Schemes

- 6.14 The slurry seal treatment programme has proven to be more efficient than initially predicted, resulting in an efficiency saving of £2.3m against the 2022/23 forecast, meaning the overall programme costs have reduced. As a consequence of the saving, reprofiling will be undertaken to enable the delivery of additional footway schemes in 2023/24 over and above what was originally planned. This supports the ambition to focus more on footway resurfacing.

Carriageway Preventative

- 6.15 Works on the Carriageway Preventative Programme are now expected to begin in Spring 2023. As a consequence, it is anticipated that the project will run into next financial year, requiring reprofiling of £2.1m budget into 2023/24. All drains are cleaned and tested prior to the main works commencing, and the cost of repairs has been less than anticipated resulting in a saving which will be allocated to other Highways Maintenance Projects.

Levenshulme and Burnage Active Neighbourhood

- 6.16 Phase 1 of the Levenshulme and Burnage Active Neighbourhood project continues to progress, however the pace has been slower than anticipated. A total of £2.1m has been reprofiled in to 2023/24 to accommodate for the delays. Phase 2 of the project is awaiting final funding approval from GMCA which is expected in April 2023.

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 which may change as the scheme develops. This report is intended to highlight the total scheme life, cost and 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) to end October 2022 show an overall increase of 15.5% in prices for 'all work' (new housing, other new work, and repairs and maintenance) compared to October 2021. The BEIS figure to June 2022 reported at Q2 showed an overall increase of 26.4% year on year increase for 'all work', so it would appear that the overall rate of increase in cost for construction schemes is easing.
- 7.3 Price increases remain inconsistent. While some material prices continue to increase significantly month on month, some have begun to fall, perhaps reflecting a stabilising employment market following Brexit and a reduction in additional costs associated with the pandemic being passed on to the client.

- 7.4 There is still clearly a considerable risk particularly where contracts are not yet agreed. There are options available, such as entering fixed price agreements or elevating risk costs, but the inflationary risk is likely to be priced in in a prudent basis. There is also an inflation contingency budget of £7.6m for the whole programme which can be accessed if inflationary pressures are greater than the contingency budgets built into existing cost plans.
- 7.5 Finally, some of the funding sources 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	94.4	102.6	36.7	3.6	237.3
Contributions	26.6	17.4	0.8	7.0	51.8
Capital Receipts	31.0	28.2	10.7	8.6	78.5
Revenue Contributions to Capital	30.5	40.7	44.2	11.6	127.0
Capital Fund	5.5	3.2	1.4	0.0	10.1
Borrowing	255.8	187.5	95.0	3.3	541.6
Total	443.8	379.6	188.8	34.1	1,046.2

- 8.2 Modelling the Council's future cash flow based on the funding assumptions and anticipated changes to working capital provides an assessment of the ongoing affordability of the forecast capital programme. The current forecasts show that the financing costs remain affordable within the revenue budget available including reserves. The capital financing reserves will be required to meet the costs associated with the borrowing by 2025/26. The model is based on a significant number of assumptions, including the timing of future borrowing and forecast future interest rates and the position is subject to change.
- 8.3 The current forecast for the Council's Prudential indicators, compared to those reported to members in Executive in the budget reports, 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. Capturing the expected social value benefits allows projects to monitor their social value output on an ongoing basis. In some cases, for example with the Northwest Construction Hub, this is done on an aggregate basis rather than project by project. Some examples of the social value delivered to date include:

- 9.2 Our Town Hall (OTH): Achieving economic and social value for Manchester has been a core project objective from the very start. To date there has been excellent progress made against the project KPIs and in the way in which social value has become embedded in the wider project team's day-to-day work. A summary of the social value targets and actuals to date is set out below:

KPI Summary	Project Base Target	Project Actual to Date
Local Employment	30%	47%
Manchester Spend	40%	57.25%
GM Spend (including Mcr)	50%	71%
New jobs created	45	239
New qualifications achieved	50	136
New professional memberships achieved	20	42
Progression in professional memberships	20	28
School/college careers/employment sessions	50	156
School/college STEM sessions	50	28
Higher education students supported with employment, skills or subject/research work	1500	1025
High education research projects supported	35	35
Work placements 14-16 years	50	75
Work placements 17+ years	50	215
New apprentices up to level 3	100	84
New apprentices level 4+	50	54
Manchester residents' apprentices	100%	100%
Existing apprentices employed	100	17
Completing apprentices	100	25
Volunteer hours spent	10,000	6620.35
Compliance with MMW	100%	100%
Compliance with Ethical Procurement Policy	100%	100%

- 9.3 The Factory International: The original Social Value Plan for the project was collaboratively developed by Laing O'Rourke (LOR) in consultation with Manchester City Council and Manchester International Festival in 2017, during the pre-contract stages of the project and embedded into the construction contract. The plan outlined key priority themes and social value key performance indicators for Manchester City Council, which were to be achieved throughout the construction programme. A summary of social value targets and actuals to date is illustrated below:

KPI Summary	Project Base Target	Project Actual to Date
Apprenticeships - new	25	29
Apprenticeships - sustained	25	25
Education Activities	60	65
Employment support	50	260
Community Activities	60	100
Local Spend (Manchester and GM)	50%	86%
Local Labour (Manchester and GM)	50%	56%
New local jobs	8	25
Kickstart placements	10	7

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 third quarter of 2022/23 examples have included:

Major Projects:

- A donation of £1,000 was made by the supplier to SPIN - Supporting People In Need – Manchester, a charitable organisation based in Manchester, tackling the ongoing issue of homelessness and poverty.
- Employees volunteered for 10 hours to install a fan barrier system at West Didsbury and Chorlton Football club to ensure fan safety on a match day.

Network Management:

- A request was received regarding a community bike library in Moston that needed a new path and the removal of shrubbery. The supplier restored the path and inserted new flags via a donation in kind of £2,250.
- The Neighbourhood Officer for Levenshulme sent a social value request to the Highways social value inbox asking for a retaining wall on Elmsworth Avenue to be fixed. The supplier made an in-kind donation of £5,865 to fix the wall.
- A donation in kind of £18,272 was made to West Didsbury and Chorlton AFC to install new drainage and implement flooding prevention measures.
- A donation in kind of £860 was made to Don't Walk Past a Manchester-based homelessness outreach. The group is about feeding the homeless and clothing them throughout the year. The supplier's donation contributed to the outreach van and generator
- A donation in kind of £500 was made to Perry's Pantry (a foodbank in

Didsbury) to their Christmas toy appeal.

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.