

Appendix B - Other material changes to the programme

1.1 Other material changes to the Capital Programme are detailed below:

Project	Current Budget 2023/24	Forecast at P9	In Year Variance	Spend to date 2023/24	Total Budget (All Years)	Total Variance (All Years)
£m						
Public Sector Housing Programme	30.2	14.0	-16.2	7.0	79.1	0.0
Social Housing Decarbonisation Fund Schemes	13.6	2.7	-10.9	0.6	49.7	0.0
Civic Quarter Heat Network	2.9	2.9	0.0	0.0	26.0	0.0
Asset Management Programme	16.1	7.2	-8.9	2.4	22.7	0.0
Home Upgrade Grant 2	5.4	1.4	-4.0	0	10.4	0.0
Galleries Collection Housing and Remediation works	8.4	4.0	-4.4	1.5	9.1	0.0
Northern/Eastern Gateway Walking and Cycling scheme	4.5	1.1	-3.4	0.7	8.9	0.0
Network Refresh Programme	4.1	1.8	-2.3	1.0	9.5	0.0
Disabled Facilities Grant	11.1	13.0	1.9	8.8	81.3	0.0
Shared Prosperity Fund - Communities and Place	2.5	0.8	-1.7	0.1	4.3	0.1
Piccadilly Gardens – Phase 1	2.1	0.5	-1.7	0.1	2.6	0.0

Public Sector Housing Programme

1.2 The Public Sector Housing Programme saw the majority of projects finishing at the end of March 2023 with a small number continuing delivery into early 2023/24. These on-going projects have been delivered to expected timelines, however, the new projects that were due to start on site in the remainder of 2023/24 have taken longer than expected to process through detailed design and procurement. This was further hindered by challenges in the marketplace

including contractor availability and material lead times as well as meeting increased regulations for fire safety schemes.

- 1.3 Specific variances to the programme include; Clifford Lamb Remedial Works will deliver £0.3m less than expected due to an extended procurement process due to the challenges of sourcing a contractor for specialist work of this nature for an unforeseen project. Strategic Voids is expected to deliver £0.5m lower than expected as the extent of works required to properties is such that the design period is taking longer and the resulting procurement process for obtaining a suitable contractor extended. The retaining walls project is expected to underspend by £0.3m and the Decent Homes by £1.1m due to the internal award process for approving works not meeting the timelines within programme. The major lift replacement scheme will spend £0.9m less than planned due to extended design periods and longer procurement timelines. There are a number of final accounts for previous completed schemes which are being settled but through good due diligence the process is taking longer than expected which will result in less settlements by the end of the financial year up to a value of £1.7m less than expected. The major fire actions remediation project will deliver £1.8 million less than expected as a result of longer contract approval and mobilisation.
- 1.4 The cash flow forecast accuracy for new schemes is challenging within the housing capital programme, as it is dependent on completing design work, procurement and subsequent award of works which can take longer than planned due to the complex nature of schemes and challenges within the construction marketplace. There are improvements being introduced to address this within the management of projects; including procurement and contract approval better interconnected with project delivery, the enhanced integrity of timeline assumptions within project plans, managing organisational complexity more easily and operating on increased consistency and standardisation. As a result of the review of the Public Sector Housing Programme, a total of £16.2m will be reprofiled into future years.

Social Housing Decarbonisation Fund Schemes

- 1.5 The Social Housing Decarbonisation Fund (SHDF) programme relates mainly to energy improvement works and renewable heating technologies. This will improve the energy performance certificate (EPC) rating of Council properties and help meet the zero carbon housing objectives and targets, including a transition away from gas heating sources. Most of this work generates a grant contribution from the Department for Energy Security and Net Zero (DESNZ) via Greater Manchester Combined Authority (GMCA). There are other works included in the programme for most of the projects, consisting of various Decent Homes and Fire and Building Safety works.
- 1.6 Discussions have been held with GMCA in relation to a potential extension of the delivery timescales for our SHDF programme. This would require negotiation and agreement with DESNZ. GMCA are open to requesting an extension which provides for a completion of all the grant eligible works to March 2026. It has been agreed that we will conclude this discussion with

GMCA by the end of this financial year.

- 1.7 The forecast reflects a revised timetable and cost for the Social Housing Decarbonisation Fund programme, and there are also significant cost pressures. Following a review costs have increased by c. £10.5m as a result of building cost inflation, but there is also a need to undertake more detailed surveys on properties before work can commence. A budget increase request is included within the Capital Strategy elsewhere on the agenda. As noted above, the Council is working with the GMCA to seek approval to amend the completion dates and are reviewing the costs of each project to ensure value for money. Works to some properties will be considered when they next become empty to avoid having to decant tenants to complete the required investment and works to those homes.
- 1.8 The project has faced longer mobilisation timescales than anticipated which has meant start on site has been pushed back. Spend on pre-works activity has and will continue, but the majority of spend will now take place in the next financial year. The project team continue to work through issues arising as a result of surveys which also impacts on progress, and there are challenges in relation to the technical feasibility and potential costs of the works required to meet the SHDF grant requirements. As a result, a total of £10.9m has been reprofiled into future years.

Civic Quarter Heat Network

- 1.9 The heat network assets were novated to the Council-owned company in early 2023 and continued to supply heat and power to Council buildings in the city centre. At the point of novation, a capital budget of c. £2.9m remained, to cover any final costs associated with the creation of the network as there were some matters for which the final accounts had yet to be agreed, and for potential future growth.
- 1.10 Officers have now completed a review of the outstanding issues and agreement reached with the contractor to settle all matters relating to the construction. It is proposed that £1.9m of the remaining capital budget be used for the settlement of construction matters. This leaves c. £1.0m in the capital budget.
- 1.11 Further, the delay in the Town Hall becoming an off-taker of power from the Heat Network due to the later opening date alongside the volatility in the energy markets since the novation means that the Network is running with very low cash balances and is under-capitalised. It is therefore proposed that the remaining capital budget after the settlement of construction costs, and a further £0.5m agreed by the Deputy Chief Executive and City Treasurer and Executive Member for Finance under delegated powers, be used to provide additional support to the Network in the form of shareholder loans, which will be repaid to the Council in the future.

Asset Management Programme

- 1.12 The Asset Management Programme (AMP) is the Council's annual, prioritised programme of capital replacement for operational property. The programme is citywide and includes libraries, galleries, family centres, offices, property in parks and cemeteries, leisure/cultural centres and landlord liabilities. The AMP budget for 2023/24 is £16.1m and includes a number of significant remediation and end of life replacement works to operational assets, heritage assets and landlord liabilities.
- 1.13 Good progress continues completing specialist surveys meeting statutory responsibilities including asbestos and fire risk, together with ensuring a co-ordinated and efficient approach in procuring works to meet Council priorities including zero carbon. Safety work arising from surveys is taking precedent with procurement of remediation works arising from this factored into the current year programme. Adjusting programmes to meet this has an impact on the current planned programme and budget. Additionally, external factors including supply chain, adjustments for inflation and the complex nature of the properties included in the budget are all impacting on progress in the current year. Priority during the last quarter of the year is focussed on completing the design and procurement of works included in the programme to meet as far as possible the forecast. As a result, a total of £8.9m will be reprofiled into next financial year.

Home Upgrade Grant 2

- 1.14 The Council has secured £10.4m Home Upgrade Grant 2 (HUG2) funding from Government and a memorandum of understanding (MoU) was signed in February 2023.
- 1.15 This funding, to be spent by the end of March 2025, provides grant to Local authorities for owner occupied and private rented sector properties. These are required to be off gas grid, with low energy performance (EPC D-G). Taking a fabric first approach, the grant provides energy efficiency and clean heating upgrades to improve energy performance of properties. The grant levels are between £3k and £24k, dependent on property archetypes and characteristics, and the EPC requirements are generally that F-G homes are upgraded to at least EPC D and EPC D-E homes upgraded to Band C. To be eligible private landlords need to have a portfolio of 4 or less properties.
- 1.16 Due to delays in recruitment of a dedicated project manager, along with procurement delays and mobilisation taking longer than expected, the contract commenced later than expected in November 2023. Therefore, delivery units originally forecast before Christmas were not completed and a change order is anticipated to allow work to commence in the New Year. Therefore, a total of £4.0m has been slipped into future years.

Galleries Collection Housing and Remediation Works

- 1.17 The Galleries Collection Housing programme involves essential safety and remediation works at Manchester 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.

- 1.18 The Queens Park Conservation Studios and Manchester Art Gallery (MAG) schemes are two separate schemes; however, due to an off-site storage facility lease, the two schemes have some interdependencies.
- 1.19 The Council has been successful in applying for a grant of £0.7m from Arts Council England under a scheme called MEND for provision of capital works to support capital works of this nature. The additional grant monies will be used to support the costs of building fabric repair works at Queens Park. A further bid for £0.1m grant funding for additional specialist storage furniture from Department of Culture, Media and Sport was also successful.
- 1.20 Works continue to progress, however as previously reported, a total of £3.5m will be reprofiled into 2024/25 as the contractor has provided a more accurate cash flow which reflects the timeframe of planned works following start on site.

Northern/Eastern Gateway Walking and Cycling Scheme

- 1.21 The Northern/Eastern Gateway project will deliver a continuous walking and cycling route, linking neighbourhoods in the north and east to the fringe of the city centre. Work continues with construction at Pollard Street to Redhill Street ongoing. A new tranche of funding has been approved to complete the construction of a new bridge over the Ashton Canal and two Cyclops junctions at junction of Rochdale Road/ Thompson Street and Oldham Road/Thompson Street with a segregated cycle lane along Thompson Street.
- 1.22 There is a requirement to reprofile £3.4m into next financial year, due to a delay in selecting a preferred contractor to deliver phase 2 works, however work is due to commence in February 2024. This has also resulted in reduced fees for this financial year. Phase 3 works will be tendered early in the New Year, with work due to start in May 2024.

Network Refresh Programme

- 1.23 The Wider Area Network (WAN) phase 2 project is in the discovery stage. The mapping of potential benefits, exploring risk around product availability and determining site suitability has required an extended discovery period.
- 1.24 The Perimeter Firewall project has been fully, and successfully, delivered and has now moved into closure stage. Staffing and third party costs are to be finalised and a closure report produced by the end of this financial year.
- 1.25 As previously reported, a total of £2.3m will be reprofiled into future years due to issues encountered during the Proof-of-Concept (POC) stage, the temporary environment used to demonstrate the functionality of the new solution before committing to the full-scale implementation, impacting on the

project schedule. Supply chain issues due to the pandemic impacted hardware availability and timescales which had a knock-on effect to the ability to move onto the POC phase. Further issues encountered with the design and implementation of the POC environment have caused delays to the project.

DFG

- 1.26 Adaptations funded from Disabled Facilities Grant (DFG) are expected to outspend the original forecast for 2023/24. The cost of adaptations has increased in-line with significant building material and wage inflation. As well as this, there is a continued increase in demand due to an ageing population and a strategy to keep people in their own homes for as long as possible, as well as more applications from individuals with more complex needs. It is expected that these pressures will continue into 2024/25 and tight management of the available budget will be required. As a result, a total of £1.9m will be accelerated into this financial year.

Shared Prosperity Fund (SPF) – Communities and Place

- 1.27 The Shared Prosperity Fund (SPF) is a government funding stream intended to replace EU structural/regeneration funds. SPF funding is allocated under three investment priorities: Community and Place, Supporting Local Business; and People and Skills. The Council has been awarded £5m within the 'Communities and Place' (C&P) theme.
- 1.28 Across the Communities and Place projects, a total of £1.7m will be reprofiled into 2024/25. The reasons for this vary, but in a number of cases it has taken longer than anticipated to assemble the required professional teams, and/or to undertake early feasibility and design work. In relation to the two largest capital projects: i) the Withington public realm proposals have required further revision following extensive engagement with local businesses and community groups; ii) on Gorton Public Square, discussions with another party over the acquisition of the land required for the square are continuing, though contractor procurement has been run in parallel to this to avoid delay. Strict monitoring of all SPF projects will continue, to ensure projects are delivered by the March 2025 deadline.

Piccadilly Gardens – Phase 1

- 1.29 As previously reported, the design competition for Piccadilly Gardens – Phase 1 completed in early 2023/24. Negotiations are now ongoing regarding the extension of the appointment of the Design Architect to complete the concept design and to commence the tender exercise for a Design and Build contractor.
- 1.30 The current budget is to take the scheme to RIBA Stage 3 including submission of planning permission. It is envisaged that completion of RIBA Stage 2 will be achieved by March 2024. The remainder, including the appointment of a main contractor to assist with the concept design development and cost plan will take place in 2024/25. As a result, a total of

£1.7m will be reprofiled into future years.