
**Manchester City Council
Report for Information**

Report to: Executive – 18 June 2014
Audit Committee – 17 July 2014

Subject: Capital Programme Monitoring 2013/14 – Outturn Report

Report of: The City Treasurer

Summary

This report informs members of:

- (a) The outturn of capital expenditure and financing for 2013/14.
- (b) The major variations between the 2013/14 outturn and previous monitoring report in February 2014.
- (c) Provide an update on the commitments to be carried over into the three year Capital Programme 2014/15 to 2016/17.
- (d) The required formal determinations the Executive is asked to make.

Recommendations

The Executive is requested to:

- 1. Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2014.
 - 2. Approve the budget transfers between capital schemes to maximise use of funding resources available to the city council.
 - 3. Note the decisions of the City Treasurer regarding the funding of capital expenditure in 2013/14.
 - 4. Note the impact of final expenditure in 2013/14 on the revised Capital Programme 2014/15 to 2016/17.
 - 5. Note the outturn of capital expenditure for 2013/14 was £204.027m.
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Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	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.
Reaching full potential in education and employment	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.
Individual and collective self esteem – mutual respect	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 this community strategy.
Neighbourhoods of Choice	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.

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 have already been included in the Revenue Budget.

Financial Consequences – Capital

The Capital Outturn for 2013/14 is £204.027m which is a reduction of £34.693m from when the Capital Budget was set in February 2014. There has been no loss in the overall level of available resources.

There will be ongoing consequences for the three year Capital Programme 2014/15 to 2016/17. This is due to budget amendments due to rephasing of schemes, and means that the revised capital programme is £541.717m.

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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 Council 8 March 2013 (Budget 2013/14 – 2015/16)

Report to the Executive 12 February 2014 (Budget 2014/15 – 2016/17)

1.0 Introduction

- 1.1 The purpose of the report is to:
- Inform members of the Outturn position for 2013/14.
 - Confirm that funding streams were managed to best utilise resources available to fund the capital programme.
 - Provide an update on the commitments to be carried over into the three year Capital Programme 2014/15 to 2016/17.

2.0 Capital Outturn 2013/14

- 2.1 The Outturn for 2013/14 was £204.027m, compared to the forecast of £238.720m in February.
- 2.2 Expenditure on capital schemes in 2013/14 was £34.693m less than the previous estimate reported to Executive due to delays in the programme which will require the budget to be re-profiled in future years.
- 2.3 The variances, by service area, are shown in Table 1 and explained in further detail below.

Table 1: 2013/14 Capital Outturn (£000)

	Outturn (31-Mar-2014)	Previous Forecast (31-Jan-2014)	Variation
Housing (HRA)	24,176	24,836	-660
Housing (General Fund)	12,483	13,158	-675
Highways	13,387	15,912	-2,525
Environment & Operations	739	1,125	-386
Leisure, Culture & Library	11,536	17,495	-5,959
Regeneration & Corporate Property	51,770	66,269	-14,499
Children's Services	32,849	36,658	-3,809
Adult's Services	351	0	351
Corporate Services	51,474	55,975	-4,501
ICT	5,263	7,292	-2,029
Total Capital Outturn	204,027	238,720	-34,693

3.0 Capital Programme 2013/14 – analysis of expenditure

Housing Revenue Account (HRA) – (£0.660m)

- 3.1 Following a successful application to the Homes and Communities Agency for Decent Homes Grant funding, the grant allocation of £10.0m was been fully utilised for work on council dwellings managed by Northwards including Collyhurst Village as well as the ongoing demolition of maisonettes in Collyhurst and low and high rise properties in West Gorton. Major works to Collyhurst multi-storey blocks have now commenced.
- 3.2 The Northwards programme has delivered improvement works to prevent properties slipping below the decent homes standard including innovative works to address climate change by the installation of a ground source heat

pump to Duncan Edwards and Alderbourne Courts.

- 3.3 The West Gorton Regeneration programme has underspent mainly due to delays in the programme.

Housing General Fund – (£0.675m)

- 3.4 The Redrow Homes Scheme in Moston achieved sales of 34 units amounting to £3.8m in 2013/14, of which approximately 50% were due to assistance from the Government Help to Buy scheme. The overspend of £0.761m is accommodated within the overall budget of £6.15m, and matched by receipts.
- 3.5 Although the Housing Investment Fund has underspent by £0.359m the Joint Venture scheme is back on track and due to deliver 240 homes for sale/rent by January 2016 with the first homes available by November 2014.
- 3.6 Expenditure associated with the Brunswick PFI programme underspent by £0.459m mainly due to longer than anticipated negotiations with tenants/homeowners affected by the demolitions. The programme of works has now commenced with £106m of credits available for the contract.
- 3.7 The Empty Properties team programme is underspent by £0.416m due to delays. The programme has resulted in 101 properties being brought back into use and the £1.3m grant has been fully utilised across the programme. The Disabled Facilities Grant of £2.677m has also been fully spent alongside £0.6m of Registered Provider Contributions. This has resulted in the waiting list for adaptations being reduced to less than 6 months.

Highways Services – (£2.525m)

- 3.8 The variation within the Highways programme is due to several factors:
- Re-profiling of the Ringway Road Highway Improvement works requiring £1.573m of the budget to be moved into 2014/15;
 - Delays to the Bus Priority Programme caused mainly by delays to getting utilities orders. This requires £0.625m to be rephased into 2014/15; and
 - the Wythenshawe Bus Station scheme will now start in 2014/15 with the planned spend of £0.273m being re-profiled into 2014/15.

Environment and Operations – (£0.386m)

- 3.9 The timescale of the procurement process for the award of the main contracts for the City Centre Litter Bins projects has been confirmed with the contract now being let. As a result £386k will need to be carried forward into the next financial year.

Leisure, Culture and Library Service – (£5.959m)

- 3.10 Within Leisure, the Alexandra Park Sport project underspent by £0.595m due to building issues. The projects at Hough End and Levenshulme Leisure Centres underspent by £0.478m due to completing land swap deals later than

anticipated, and fees for the early stages of the projects being lower than anticipated. The Ronald Johnson redevelopment underspent by £0.547m due to the loan drawdown being later than expected. In each of these cases the funding is expected to be required in 2014/15. These projects are mainly on target to meet the original deadlines with a possible slight delay in the Alexandra Park Sport project.

3.11 Within Libraries, the library refresh programme and the Hulme Library relocation project have been re-profiled, resulting in an underspend of £0.556m to be transferred into 2014/15.

3.12 Work at the First Street Cultural Centre has been delayed due to adverse weather conditions, which means that the First Street Cultural Centre has underspent by £3.201m. This budget will be required in 2014/15. The Centre is still on target to open in Spring 2015.

Regeneration and Corporate Property – (£14.499m)

3.13 Various schemes underspent in 2013/14, as detailed below:

- Spend on the former Royal Eye Hospital of £0.717m will now be incurred in 2014/15 due to delays in receiving confirmation of match funding;
- As One Central Park was not acquired until June 2014, spending on One Central Park was £1.974m lower than forecast in February. This funding has been transferred into 2014/15;
- The Corridor Growth Fund underspent by £0.373m due to companies not drawing monies from the fund as per the expected profile. This funding will be required in 2014/15;
- Manchester Business Park underspent by £2.969m due to the provision for buy back option within the scheme slipping into 2014/15.
- The Beswick Village programme spent £3.608m less than forecast, due to delays in design and construction problems, in part caused by adverse weather conditions. This funding has been transferred for use in 2014/15.
- The Asset Management Programme underspent by £2.622m due to various delays across the programme, caused by design issues, adverse weather conditions, access issues and unexpected works complications such as asbestos.

Children's Services – (£3.809m)

3.14 The Basic Needs programme, to establish additional Primary provision in the City, underspent by £2.070m. Of this, £1.096m is due to delays in finalising funding arrangements with Diocese projects, which have prevented schemes from progressing. There have also been delays elsewhere in the Basic Needs programme of £0.974m due to some projects being more challenging than expected, such as the discovery of asbestos on some sites.

3.15 The schools maintenance programme, which is funded from DfE grant, underspent by £0.658m. £0.237m relates to savings generated on the projects delivered with the balance relating to the retiming of schemes which means £0.421m will be re-phased into 2014/15.

- 3.16 Elsewhere within the Children’s Services programme, the Abraham Moss Primary School is now expected to be completed in the next financial year, with the £0.600m originally set aside in 2013/14 now being required in 2014/15. The Early Education for Two Year Olds project will now start to spend in 2014/15 and £0.250m has been re-profiled into that year.

Adult Services - £0.351m

- 3.17 The spend in Adults Services was due to the decision to capitalise the expenditure on community equipment, taken late in the financial year.

Corporate Services – (£4.501m)

- 3.18 The underspend is mainly due to delays in elements of the Town Hall Transformation programme.

- 3.19 The delays in the Town Hall programme were due to the public enquiry into the plans for Library Walk and the fact that some works will be undertaken after the opening of the Library. These relate to the refresh of exhibits in the archive area and enhancing finishes in the heritage areas together with completion of works in the lower ground floor link area.

ICT – (£2.029m)

- 3.20 The Digital Workplace Strategy programme underspent by £1.247m in 2013/14. The statement of work with Microsoft has now been signed and this will be spent in 2014/15.

- 3.21 There has also been a £0.523m underspend on the ICT Business Transformation budget. This will be retained within the programme and utilised in 2014/15.

4.0 Capital Financing 2013/14

- 4.1 The funding of the 2013/14 Capital Programme is summarised in Table 2.

Table 2: 2013/14 Capital Programme Funding (£000)

	£'000	%
Capital Expenditure	204,027	
<i>Financed by:</i>		
Government Grants	52,398	26%
Other External Contributions	15,303	8%
Capital Fund	5,816	3%
Revenue Funding	29,066	14%
Major Repairs Reserve	23,274	11%
Capital Receipts	14,936	7%
Borrowing approval	63,234	31%

- 4.2 The Executive is asked to note the following decisions made by the City

Treasurer regarding the funding of the capital expenditure incurred in 2013/14:

- 4.3 Expenditure of £67.701m for capital purposes, which is to be reimbursed by another organisation, has been capitalised – (£52.398m grant and £15.303m external contributions).
- 4.4 Government Grant: The main grants applied include Department for Education funding of £26.4m for works on primary schools including new builds, provision for additional primary places and maintenance schemes; over £2.7m for work to adapt homes for disabled occupants; and £4.0m for Highways maintenance. Any unused grant, subject to conditions, has been carried forward into 2014/15 and will be matched against future spend. The programme was managed to ensure that any grant with a risk of claw back due to time constraints or other factors was fully utilised in 2013/14.
- 4.5 External Contributions from non-government departments have been used to fund expenditure across the programme totalling £15.303m. This includes funding from the Greater Manchester Combined Authority of £2.7m for the Bus Priority Programme; funding from Manchester City Football Club of £2.6m towards the Beswick Leisure Centre and a contribution of £3.5m from the Greater Manchester Combined Authority towards the construction of a new road between Manchester Airport and the A6.
- 4.6 Revenue contributions were used to finance spend of £29m including ICT projects and the Sharp programme.
- 4.7 The Major Repairs Reserve funds expenditure on the HRA capital programme. This reserve includes £10.0m Decent Homes Backlog funding from the HCA and self financing revenue from HRA revenue budget.
- 4.8 The balance of available capital receipts carried forward from 2012/13 was £37.435m. A further £20.889m receipts were received in 2013/14.
- 4.9 Therefore, total receipts available to fund expenditure were £58.324m, £19.386m (HRA) and £38.938m (non-HRA). Drawdown of capital receipts to fund the non-HRA programme was £15m leaving a balance for use in future years of £43.388m plus any new receipts generated in 2014/15.
- 4.10 Prudential borrowing of £63.234m has been used.
- 4.11 An amount not less than the minimum revenue provision has been set aside from the revenue account as a provision for credit liabilities.

5.0 Capital Resources

- 5.1 As set out in the 2014/15 Capital Budget Report to Executive in February, funding is in place to meet the capital programme commitments for 2014/15 to 2016/17 and the increases since then are fully funded. The City Treasurer will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the Council.

6.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

The capital programme will deliver a number of projects that will offer permanent jobs. In addition it is likely to create temporary employment opportunities within the construction industry for the duration of contract work.

(b) Neighbourhoods of Choice

Many projects in the capital programme are concerned with creating a healthy and safe environment for users of Council facilities and employees. Investment in energy conservation and improvement to the highway network helps to improve the environment.

7.0 Key Polices and Considerations

(a) Equal Opportunities

By investing in building adaptations, access for people with mobility difficulties is made easier.

(b) Risk Management

As a result of the national economic downturn the amount of usable capital receipts included in the resources calculation for the original capital budget is no longer achievable. In response to these circumstances the City Treasurer instigated a review of the whole capital programme in order to establish the most efficient and effective way to fund the programme. The review will be ongoing.

