
Manchester City Council Report for Resolution

Report to: Executive – 13 December 2017

Subject: Capital Programme – Proposed Increases

Report of: Chief Executive and City Treasurer

Summary

This report informs members of requests to increase the capital programme, seeks approval for those schemes that can be approved under authority delegated to the Executive, and asks Executive to recommend to the City Council proposals that require specific Council approval.

Recommendations

Members are requested to recommend that the City Council approve the following changes to Manchester City Council's (MCC) capital programme:

1. Growth and Neighbourhoods Programme – Ross Place Refurbishment. An increase to the capital budget of £2.120m, £1.012m in 2017/18 and £1.108m in 2018/19, funded by Revenue Contributions to Capital (RCCO) from anticipated future insurance claims.
2. Growth and Neighbourhoods Programme – Civic Quarter Heat Network (CQHN). An increase to the capital budget of £3m in 2018/19, funded by grant funding.
3. Children's Services Programme – Gorton Youth Zone. An increase to the capital budget of £1.2m in 2017/18, funded by borrowing.

Members are requested to recommend that the City Council approve the following changes to Greater Manchester Combined Authority's (GMCA) capital programme:

1. GMCA - Housing Investment Fund (HIF). An increase to the capital budget of £93.7m, £13.9m in 2018/19, £69.6m in 2019/20, and £10.2m in 2020/21, funded by borrowing direct from Government, under the HIF agreement.

Members are requested under powers delegated to the Executive to approve the following changes to MCC's capital programme:

1. Growth and Neighbourhoods Programme – Heaton Park Pay and Display. An increase to the capital budget of £0.151m in 2018/19, funded by borrowing on a Spend to Save basis.
2. Growth and Neighbourhoods Programme – The Velodrome Track. An increase to the capital budget of £0.931m, £0.602m in 2017/18 and £0.329m in 2018/19, funded by the Stadium Rental Reserve.
3. Housing Capital Programme – North Manchester New Builds. An increase to the capital budget of £0.753m in 2018/19, funded by HCA grant funding.

4. Growth and Neighbourhoods Programme – Our Town Hall (OTH). A decrease to the capital budget of £0.370m (£0.040m in 2017/18 and £0.055m from 2018/19 to 2023/24) and approve the transfer of £0.370m (£0.040m in 2017/18 and £0.055m from 2018/19 to 2023/24) to the revenue budget, funded by Capital Fund.

To note increases to the programme of £0.553m as a result of delegated approvals.

Wards Affected: Various

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	Contributions to various areas of the economy including investment in ICT services, Leisure and Sports services, and Housing provision.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Investment in public buildings, ICT services and Housing provision, which will create employment opportunities.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improvements to services delivered to communities and enhanced ICT services.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in public buildings and Leisure and Sports services.
A connected city: world class infrastructure and connectivity to drive growth	Investment in enhanced provision of ICT services.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The recommendations in this report, if approved, will increase the revenue budget by £0.923m, funded from a corresponding decrease in the capital budget.

Financial Consequences – Capital

The recommendations in this report, if approved, will increase MCC's capital budget by £7.785m, across financial years as detailed in Appendix 1.

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £93.7m, across financial years as detailed in Appendix 1.

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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 8th February 2017 (Budget 2017/18 - 2021/22)

1 Introduction

- 1.1 This report outlines the requests for increases and decreases to the five year capital budget 2017/18 to 2021/22.

2 Background

- 2.1 In February each year, the Executive receives a report on the capital budget for the forthcoming five financial years and approves a series of recommendations to make to the City Council. The City Council's resolutions on these recommendations constitute the approval of the five year capital programme for Manchester City Council. Proposals for the 2017/18 to 2021/22 capital budget were presented to the Executive on 8^h February 2017.
- 2.2 The following requests for a change to the programme has been received since the previous report to the Executive on 15th November 2017.
- 2.3 Please note that where requests are made in the report to switch funding from capital to revenue, and to fund the revenue spend from Capital Fund, this is a funding switch from within the capital programme and will not have a negative impact on the Fund itself.

3 MCC's Proposals Requiring Specific Council Approval

- 3.1 The proposals which require Council approval are those which are funded by the use of reserves above a cumulative total of £2m or where the use of borrowing is required. The following proposals require Council approval for changes to MCC's capital programme:
- 3.2 Growth and Neighbourhoods Programme – Ross Place Refurbishment. This project is the refurbishment of Ross Place Day Centre, replacing the facility that was previously located at the Minehead Resource Centre. The original Minehead facility was destroyed in an arson attack. The Council's insurers have agreed to fund the refurbishment of Ross Place as opposed to a rebuild of Minehead Resource Centre as this represents better financial value for them. This approach also provides a benefit to the Council as it enables the re-use of the Minehead site for a social housing scheme. A capital budget increase of £2.120m is requested, £1.012m in 2017/18 and £1.108m in 2018/19. It is expected that this will be funded from the insurance claim for the Hall, but may need to be underwritten from City Council resources until the claim is complete.
- 3.3 Growth and Neighbourhoods Programme – Civic Quarter Heat Network (CQHN). The existing approved capital budget is £18m. A capital budget increase of £3m is requested in 2018/19, funded by grant funding.
- 3.4 Children's Services Programme – Gorton Youth Zone. This investment will develop a new Youth Zone Facility in Gorton. Once built, the facility will then be transferred as an asset to a new independent charity for them to manage in

the long term. The Charity will also invest £6m towards the project. A capital budget increase of £1.2m is requested in 2017/18, funded by borrowing.

4 GMCA's Proposals Requiring Specific Council Approval

- 4.1 The proposals which require Council approval are those which are funded by the use of reserves above a cumulative total of £2m or where the use of borrowing is required. The following proposals require Council approval for changes to GMCA's capital programme:
- 4.2 GMCA - Housing Investment Fund (HIF). The Fund is expected to make commitments which will exceed the existing approved capital budget for the Fund. The existing approved capital budget for the Fund is £300m split over multiple years. The existing approved budget has been committed and the investments have started to be repaid, therefore providing the Fund with an opportunity to recycle the repaid investments in new investments. A capital budget increase of £93.7m is requested, £13.9m in 2018/19, £69.6m in 2019/20, and £10.2m in 2020/21, funded by borrowing. The borrowing is direct from Government under the HIF agreement.

5 Proposals Not Requiring Specific Council Approval

The proposals which do not require Council approval and only require Executive approval are those which are funded by the use of external resources, the use of capital receipts, the use of reserves below £2m or where the proposal can be funded from existing revenue budgets and where the use of borrowing on a spend to save basis is required. The following proposals require Executive approval for changes to MCC's capital programme:

- 5.1 Growth and Neighbourhoods Programme – Heaton Park Pay and Display. The project will introduce Pay & Display Parking into Heaton Park and will enable the on-site operational management team to deploy resources more efficiently to better meet the Park's priorities, and to engage with the Park's stakeholders in developing a quality service. It will professionalise the existing manual collection of car park charges, bringing Heaton Park into line with the majority of large public parks in the Greater Manchester region. This will generate increased income that will contribute to the Park's income target and help sustain it into the future. The existing approved capital budget is £0.614m but additional budget is required, as the costs have increased from the original estimated costs. A capital budget increase of £0.151m is requested in 2018/19, funded by borrowing on a Spend to Save basis.
- 5.2 Growth and Neighbourhoods Programme – The Velodrome Track. The Velodrome Track is at the end of its natural life and a replacement track is now necessary to ensure the facility is fit for purpose. In addition, other associated works have been identified such as the refurbishment the safety run off area and the access ramp. Undertaking these works along with the track brings economies of scale. A capital budget increase of £0.931m is requested, £0.602m in 2017/18 and £0.329m in 2018/19, funded by the Stadium Rent Reserve.

- 5.3 Housing Capital Programme – North Manchester New Builds. The North Manchester New Builds scheme is the development of 60 new homes, 20 shared ownership and 40 rent units. The 40 rent units are to be managed by Northwards Homes and let at an affordable rent. The scheme will be delivered across six of the sites identified as most financially viable. The existing approved capital budget is £8.544m, but it has now been awarded additional grant funding £0.753m for the project from the HCA. A capital budget increase of £0.753m is requested in 2018/19, funded by HCA grant funding.
- 5.4 Growth and Neighbourhoods Programme – Our Town Hall (OTH). There is a requirement to switch part of the OTH capital budget to revenue to fund salary costs associated with the project. As these costs have been identified as being revenue in nature. The budget for the salary costs is currently a part of the total capital budget allocation. To enable these costs to be paid, a switch in funding relating to the capital budget is required. Therefore, the capital budget for those elements identified as revenue needs to be reduced by £0.370m (£0.040m in 2017/18 and £0.055m from 2018/19 to 2023/24) and the funding transferred to the revenue budget. It is proposed to reduce the capital budget by £0.370m (£0.040m in 2017/18 and £0.055m from 2018/19 to 2023/24) and approve the transfer of £0.370m (£0.040m in 2017/18 and £0.055m from 2018/19 to 2023/24) to revenue, funded by Capital Fund.

6 Approvals under authority delegated to the City Treasurer

- 6.1 Under powers delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources, the following schemes have been approved;
- ICT Capital Programme – The Manchester Active Scheme. The project will put in place a central data hub for tracking and reporting on participation in sport and physical activity in Manchester, and to introduce a new membership scheme for the city called MCRActive which would include incentives for residents to sign up and participate. However, as the solution will not lead to an asset being created, it is expected that the work will be revenue in nature, and therefore a switch in funding was required. A decrease to the capital budget of £0.411m and the transfer of £0.411m to revenue in 2017/18 has been approved, funded by Capital Fund.
 - ICT Capital Programme – The Manchester Volunteer Inspired Programme (MCRVIP). The Project will develop a centralised platform that captures all the volunteering opportunities across the City's Neighbourhoods Services, including all cultural and leisure, parks and libraries, as well as environment and recycling projects. This will support the Manchester Volunteer Inspired Programme (MCRVIP), which promotes volunteering at sports events/programmes in the city and also recruits and matches volunteers for these events through a cutting edge web based volunteer management system. The programme is linked to the strategic need to streamline and manage volunteers and match them to opportunities more effectively, thereby

removing barriers to volunteering and therefore encouraging volunteering engagement in sport, leisure and sporting events. However, as the solution will not lead to an asset being created, it is expected that the work will be revenue in nature, and therefore a switch in funding was required. A decrease to the capital budget of £0.058m and the transfer of £0.058m to revenue in 2017/18 has been approved, funded by Capital Fund.

- ICT Capital Programme – The Universal Access Project. The project is aimed at providing ICT access to all council staff who work away from core office buildings. The project is split into 2 phases; phase 1 will enable a cohort of staff to have access to the intranet as soon as possible utilising existing technology; Phase 2 will investigate a new, interim ‘intranet’ solution for the remaining potentially using the existing web site and Service Now (ICT Software tool) that will be externally facing, to allow access to all staff in scope to council information in a more cost effective way. However, as the solution will not lead to an asset being created, it is expected that the work will be revenue in nature, and therefore a switch in funding was required. A decrease to the capital budget of £0.084m and the transfer of £0.084m to revenue in 2017/18 has been approved, funded by Capital Fund.

7 Prudential Performance Indicators

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £7.785m, across financial years as detailed in Appendix 1.
- 7.2 This will also result in an increase in the prudential indicator for Capital Expenditure in corresponding years. Monitoring of all prudential indicators is included within the Global Revenue Monitoring report. The next report to the Executive will be 13th December 2017, which will include a recommendation to increase the Capital Expenditure indicator as detailed above.
- 7.3 There is a requirement for prudential borrowing, however this has already been assumed within the Council’s revenue budget and therefore there is no impact on the City’s Council Tax.
- 7.4 The increases to the programme totalling £0.553m as a result of delegated approvals have been included within the prudential indicators.

8 Conclusions

- 8.1 The capital budget of MCC will increase by £7.785m, if the recommendations in this report are approved.
- 8.2 The capital budget of GMCA will increase by £93.7m, if the recommendations in this report are approved.

8.3 The capital budget has increased by £0.553m as a result of the delegated approval detailed in Appendix 2.

9 Contributing to the Manchester Strategy

9.1 The decisions provide resources for important projects to go forward, each project making its own contribution to the Manchester Strategy.

(a) A thriving and sustainable city

9.2 Contributions to various areas of the economy including investment in ICT services, Leisure and Sports services, and Housing provision.

(b) A highly skilled city

9.3 Investment in public buildings, ICT services and Housing provision, which will create employment opportunities.

(c) A progressive and equitable city

9.4 Improvements to services delivered to communities and enhanced ICT services.

(d) A liveable and low carbon city

9.5 Investment in public buildings and Leisure and Sports services.

(e) A connected city

9.6 Investment in enhanced provision of ICT services.

10 Key Policies and Considerations

(a) Equal Opportunities

10.1 The proposals have been drawn up in awareness of Council policy on equality.

(b) Risk Management

10.2 All capital projects go through the Capital Checkpoint process and are subject to a risk assessment which includes a rapid risk check, risk workshops and the compilation of risk logs to support project delivery and risk management.

(c) Legal Considerations

10.3 None in this report.

Appendix 1

Requests for Adjustments to the Capital Budget Provision							
13th December 2017 EXECUTIVE							
Dept	Scheme	Funding	2017/18	2018/19	2019/20	Future	Total
			£m	£m	£m	£m	£m
<u>Council Approval Requests</u>							
Growth and Neighbourhoods	Ross Place Refurbishment	Revenue Contributions to Capital (RCCO) from anticipated future Insurance Claims.	1.012	1.108	0	0	2.120
Growth and Neighbourhoods	Civic Quarter Heat Network(CQHN)	Grant Funding	0	3.000	0	0	3.000
Children's Services Programme	Gorton Youth Zone	Borrowing	1.200	0	0	0	1.200
<u>Total MCC Council Approval Requests</u>			<u>2.212</u>	<u>4.108</u>	<u>0</u>	<u>0</u>	<u>6.320</u>
Greater Manchester Combined Authority (GMCA)	Housing Investment Fund (HIF)	Borrowing	0	13.900	69.600	10.200	93.700
<u>Total GMCA Approval Requests</u>			<u>0</u>	<u>13.900</u>	<u>69.600</u>	<u>10.200</u>	<u>93.700</u>
<u>Total Council Approval Requests</u>			<u>2.212</u>	<u>18.008</u>	<u>69.600</u>	<u>10.200</u>	<u>100.020</u>
<u>Executive Approval Requests</u>							
Growth and Neighbourhoods	Heaton Park Pay and Display	Borrowing on a Spend to Save basis	0	0.151	0	0	0.151
Growth and Neighbourhoods	The Velodrome Track	Waterfall Reserve	0.602	0.329	0	0	0.931
Housing Capital Programme	North Manchester New Builds	HCA grant funding	0	0.753	0	0	0.753
Growth and Neighbourhoods	Our Town Hall	Borrowing	(0.04)	(0.055)	(0.055)	(0.220)	(0.370)
<u>Total Executive Approval Requests</u>			<u>0.562</u>	<u>1.178</u>	<u>(0.055)</u>	<u>(0.220)</u>	<u>1.465</u>
<u>Total Budget Increase Requests</u>			<u>2.774</u>	<u>19.186</u>	<u>69.545</u>	<u>9.980</u>	<u>101.485</u>

Appendix 2

Approvals under authority delegated to the City Treasurer							
13th December 2017 EXECUTIVE							
Dept	Scheme	Funding	2017/18	2018/19	2019/20	Future	Total
			£'000	£'000	£'000	£'000	£'000
<u>Delegated Approval Requests</u>							
ICT Capital Programme	The Manchester Active Scheme	Borrowing	(0.411)	0	0	0	(0.411)
ICT Capital Programme	The Manchester Volunteer Inspired Programme (MCRVIP)	Borrowing	(0.058)	0	0	0	(0.058)
ICT Capital Programme	The Universal Access Project	Borrowing	(0.084)				(0.084)
Total Delegated Approval Requests			<u>(0.553)</u>	0	0	0	<u>(0.553)</u>