

Manchester City Council Report for Resolution

Report to: Executive – 10 January 2018

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

(a) 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 – North Manchester New Builds 2. An increase to the capital budget of £11.283m (£40k in 2017/18, £1.0m in 2018/19, £5.121m in 2019/20 and £5.122m in 2020/21), funded by borrowing of £8.433m and HCA grant funding of £2.850m.

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

1. ICT Capital Programme – Youth Justice (Childview) Hosting Project. A decrease to the capital budget of £33k in 2017/18, and the transfer of £33k to the revenue budget, funded by capital fund.
2. ICT Capital Programme – Programme and Project (PPM) Management Tool. A decrease to the capital budget of £66k in 2017/18, and the transfer of £66k to the revenue budget, funded by capital fund.
3. Corporate Property – Carbon Reduction Scheme. A decrease to the capital budget of £70k in 2017/18, and the transfer of £70k to the revenue budget, funded by capital fund. A funding switch of £267k (£39k in 2017/18, £57k in 2018/19, £57k in 2019/20, £57k in 2020/21 and £57k in 2021/22 from spend to save to borrowing.
4. Housing Capital Programme – Additional Disabled Facilities Grant. An increase to the capital budget of £671k in 2017/18, funded by government grant.

5. Development Programme – Discharge of legal liabilities in relation to the disposal of the former Collyhurst Police Station site. An increase to the capital budget of £844.3k in 2017/18, funded by capital receipts.

(c) To note increases to the programme of £93k 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 and Housing provision. |
| A highly skilled city: world class and home grown talent sustaining the city's economic success | Investment in 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 |
| 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 £169k, funded from a corresponding decrease in the capital budget.

Financial Consequences – Capital

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £12.629m, across financial years, 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 13th December 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

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:

- 3.1 Growth and Neighbourhoods Programme – North Manchester New Builds 2. This proposal is to deliver 75 new build homes (25 shared ownership and 50 Affordable Rent Homes) across a number of sites in North Manchester. Developing 50 homes for rent will support a strand of the Council's affordability strategy – to retain the quantum of social housing in the city as it will help to replace properties sold under the Right to Buy or Right to Acquire. Work has started on identifying suitable sites for development and 12 sites, across a number north wards, have been shortlisted for further exploration. Desktop research followed by intrusive site investigation work will begin in early 2018 to ascertain suitability of the sites in terms of abnormalities/remediation requirements and hence financial feasibility of the sites for development. A capital budget increase of £11.283m is requested funded by £8.433m borrowing and £2.850m HCA grant.

4 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:

- 4.1 ICT Capital Programme – Youth Justice (Childview) Hosting Project. The Youth Justice Service are a key life or limb service that have a statutory responsibility to supervise young people (10 - 18 year olds) that are in the criminal justice system and placed on court orders, this includes both community orders, custody orders and the preparation of assessment reports for courts in advance of sentencing. This proposal is to build Child View Youth Justice (CVYJ) application and database servers on MCC's virtual infrastructure and to migrate data from Salford Council to our own CVYJ server. A capital budget decrease of £0.033m is requested in 2017/18, and approval of a corresponding transfer of £0.033m to the revenue budget, funded by capital fund.
- 4.2 Growth and Neighbourhoods Programme – Programme and Project Management (PPM) Tool. ICT are proposing to contract a 3rd party supplier to implement a Portfolio, Programme and Project (PPM) management tool and have identified ServiceNow as the product of best fit and value. This stand-alone work package will be managed under Phase 2 of the ICT implementation of the ServiceNow platform. A capital budget decrease of £0.066m is requested in 2017/18, and approval of a corresponding transfer to £0.066m to the revenue budget, funded by capital fund.
- 4.3 Capital Programme – Carbon Reduction Scheme. The Programme Resource cost of £0.267m will require a funding switch from borrowing on an invest to save basis to borrowing. A Project Manager has been recruited and took up post at the end of July 2017, and is required to deliver the project, however the costs of the post cannot be recovered directly from the programme. The programme will also buy in expert support from Local Partnerships, providing extra assurance to the council in the delivery of sustainable technology. The Local Partnership Consultancy cost of £0.070m will require a capital budget decrease and approval of a corresponding transfer to the revenue budget, funded by capital fund.
- 4.4 Housing Capital Programme – Additional Disabled Facilities Grant. DCLG have announced additional funding in 2017/18 subject to the Council's acceptance and assurance that full spend will be achieved in the current year. A capital budget increase of £0.671m in 2017/18 is requested, funded by DFG grant.
- 4.5 Development Programme – Discharge of legal liabilities in relation to the disposal of the former Collyhurst Police Station site. A small grant clawback repayment payment to the Homes and Communities Agency (HCA) and settlement of an overage payment to Greater Manchester Police (GMP), are required following disposal of the site as part of a regeneration scheme. A capital budget increase of £0.844m is requested, funded by capital receipts

5 Approvals under authority delegated to the City Treasurer

5.1 Under powers delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources, the following schemes have been approved;

- Growth and Neighbourhoods – Gallery Café. The new cafe opened to the public on Friday 16 June 2017. To deliver the new offer it has been necessary to convert the rear servery area into a finishing kitchen, upgrade the service till point in the main cafe and introduce new signage and branding. The approval to charge the £0.093m costs to capital, funded by spend to save.

6 Prudential Performance Indicators

6.1 If the recommendations in this report are approved the General Fund capital budget will increase by £12.629m, across financial years as detailed in Appendix 1.

6.2 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.

6.3 There is an increase in the 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.

6.4 The increases to the programme totalling £93k as a result of delegated approvals have been included within the prudential indicators.

7 Conclusions

7.1 The capital budget of MCC will increase by £12.629m, if the recommendations in this report are approved.

7.2 The capital budget has increased by £93k as a result of the delegated approval detailed in Appendix 2.

8 Contributing to the Manchester Strategy

8.1 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

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

(b) A highly skilled city

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

(c) A progressive and equitable city

- 8.4 Improvements to services delivered to communities and enhanced ICT services.

(d) A liveable and low carbon city

- 8.5 Investment in public buildings and Leisure and Sports services.

(e) A connected city

- 8.6 Investment in enhanced provision of ICT services.

9 Key Polices and Considerations

(a) Equal Opportunities

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

(b) Risk Management

- 9.2 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

- 9.3 None in this report.

Appendix 1

| Requests for Adjustments to the Capital Budget Provision | | | | | | | |
|---|---|------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Dept | Scheme | Funding | 2017/18 | 2018/19 | 2019/20 | Future | Total |
| | | | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Council Approval Requests</u> | | | | | | | |
| Growth and Neighbourhoods | North Manchester New Builds 2 | Borrowing | 40 | 1,000 | 3,696 | 3,697 | 8,433 |
| Growth and Neighbourhoods | North Manchester New Builds 2 | Grant Funding | 0 | 0 | 1,425 | 1,425 | 2,850 |
| | | | | | | | |
| | | | | | | | |
| <u>Total MCC Council Approval Requests</u> | | | <u>40</u> | <u>1000</u> | <u>5,121</u> | <u>5,122</u> | <u>11,283</u> |
| <u>Executive Approval Requests</u> | | | | | | | |
| ICT Capital Programme | Youth Justice (Childview) Hosting Project | Capital Fund | (33) | | 0 | 0 | (33) |
| ICT Capital Programme | PPM Management Tool | Capital Fund | (66) | | 0 | 0 | (66) |
| Corporate Property | Carbon Reduction Scheme | Capital Fund | (70) | | 0 | 0 | (70) |
| Corporate Property | Carbon Reduction Scheme | Borrowing | 39 | 57 | 57 | 114 | 267 |
| Corporate Property | Carbon Reduction Scheme | Spend to Save | (39) | (57) | (57) | (114) | (267) |
| Housing capital programme | Additional DFG | DFG grant | 671 | | | | 671 |
| Development Programme | Site 7 | Capital Receipts | 844 | | | | 844 |
| | | | | | | | |
| <u>Total Executive Approval Requests</u> | | | <u>1,346</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1,346</u> |
| <u>Total Budget Increase Requests</u> | | | <u>1,386</u> | <u>1,000</u> | <u>5,121</u> | <u>5,122</u> | <u>12,629</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> | | | | | | | |
| Growth & Neighbourhoods | Gallery Café | Spend to save | 93 | 0 | 0 | 0 | 93 |
| | | | | | | | |
| | | | | | | | |
| Total Delegated Approval Requests | | | 93 | 0 | 0 | 0 | 93 |