

## **Manchester City Council Report for Resolution**

**Report to:** Executive – 30 May 2018

**Subject:** Capital Programme – Proposed Increases

**Report of:** Chief Executive and City Treasurer

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### **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) To recommend that the Council approve the following changes to Manchester City Council's (MCC) capital programme:

1. Highways – Mancunian Way Junction with Princess Road. A virement of £3.212m from the Highways Investment Fund, funded by borrowing.
2. Corporate Property – Hulme District Office. A virement of £1.228m from the Estates Transformation Fund, funded by borrowing.
3. Corporate Property – Estates Transformation Decant Budget. A virement from the capital budget to revenue of £3.0m, funded via Capital Fund.

(B) Under powers delegated to the Executive to approve the following changes to MCC's capital programme:

1. Housing – Empty Homes Cluster Funding Phase 2. An increase to the capital budget of £1.782m funded by capital receipts.
2. Housing – Marginal Viability Fund: New Victoria. An increase to the capital budget of £10.074m funded by government grant.
3. Housing – Marginal Viability Fund: Bowes Street. An increase to the capital budget of £3.314m funded by government grant.
4. Education – School Maintenance. An adjustment to the capital budget of £0.250m to reflect the grant award.
5. Highways – Princess Road Safety Measures. A virement of £0.359m from the Highways Investment Fund, funded by borrowing.

(C) The Executive are further recommended to:

1. Approve the funding of £5.10m capital for the loan transaction from within the Factory capital budget allocation;
2. Delegate authority to the City Treasurer, City Solicitor and Director of Strategic Development, in consultation with the Executive Member for Finance and Human Resources, to agree the arrangements for finalising the terms of the loan facility, security and other such ancillary documentation to give effect to the arrangements; and
3. Delegate authority to the City Solicitor to enter into and complete all documents or agreements necessary to give effect to the recommendations in this report.
4. To note increases to the programme of £10k 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, Highways, and leisure facilities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Investment in ICT services.
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 in the highways network.
A connected city: world class infrastructure and connectivity to drive growth	Investment in the 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 £3.141m, funded from a corresponding decrease in the capital budget.

### **Financial Consequences – Capital**

The recommendations, if approved, will increase Manchester City Council's capital budget by £14.930m, 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 7<sup>th</sup> February 2018 – Capital Strategy and Budget 2018/19 - 2022/23)

Report to the Executive 7<sup>th</sup> March 2018 – Capital Programme – Proposed Increases

Report to the Executive 21<sup>st</sup> March 2018 – Capital Programme – Proposed Increases

## **1 Introduction**

- 1.1 This report outlines the requests for increases and decreases to the five-year capital budget 2018/19 to 2022/23.

## **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 2018/19 to 2022/23 capital budget were presented to the Executive on 7<sup>h</sup> February 2018, including a revised 2017/18 budget.
- 2.2 The following requests for a change to the programme has been received since the previous report to the Executive on 21<sup>st</sup> March 2018.
- 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.
- 2.4 For the changes requested below, the profile of the increase, decrease or virement is shown in appendix 1 for each of the projects.

## **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 £2.0m or where the use of borrowing is required. The following proposals require Council approval for changes to MCC's capital programme:
- 3.2 Highways – Mancunian Way Junction with Princess Road. The scheme is to improve and increase capacity by creating signalled junctions at the Princess Rd/Medlock St and Cambridge St/Higher Cambridge St junctions with the Mancunian Way. The scheme will increase capacity, improve management of traffic flows and create a safe environment for pedestrians and cyclists. Government funding has been secured, but match-funding is required from the Highways Investment Plan. The grant funding has already been approved. A capital budget virement of £3.212m from the Highways Investment Plan is requested.
- 3.3 Corporate Property – Hulme District Office. Completion of further on site surveys has identified that more a more complex design approach is required and there will be increased costs in relation to structural remediation and drainage solutions. A capital budget virement of £1.228m from the Estates Transformation Fund is requested.

- 3.4 Corporate Property – Estates Transformation Decant Budget. Within the existing capital budget there is provision for Estates Transformation works, which includes refurbishment works to the Council's operational estate. As the programme of works has developed, it has become clear that revenue funding is needed to fund the decant measures for these properties. A capital budget decrease of £3.0m is requested (£1.5m in 2018/19 and £1.5m in 2019/20), and approval of a corresponding transfer of £3.0m to the revenue budget funded by capital fund.

#### **4 Proposals Not Requiring Specific Council Approval**

- 4.1 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 £2.0m 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.
- 4.2 Housing – Empty Homes Cluster Phase 2. Phase 1 of this project consisted of purchasing long-term empty homes in North and East Manchester and bringing them back into use before selling them. Phase 2 is to extend this project using the recycled capital receipts from sales achieved in Phase 1. A capital budget increase of £1.782m is requested, funded by capital receipts.
- 4.3 Housing – Marginal Viability Fund - New Victoria. This scheme will support delivery of 520 homes on the New Victoria site, alongside public realm and commercial use on the ground floor. The Council has been awarded grant funding to address infrastructure works across the site. A capital budget increase of £10.074m is requested, funded by government grant awarded by Homes England.
- 4.4 Housing – Marginal Viability Fund – Bowes Street. The Council has been awarded grant funding by Homes England to support the delivery of the Bowes Street development, specifically by funding the Healthcare Centre on the site. A capital budget increase of £3.314m is requested, funded by government grant awarded by Homes England.
- 4.5 Education – Capital Maintenance. The Council receives grant funding each year from the Department for Education for maintenance to the school estate. The grant award for 2018/19 is £2.750m. As part of the budget process an estimate was included, and it is requested that this estimate is removed and a capital budget increase of £2.750m is included, funded by government grant.
- 4.6 Highways – Princess Road Safety Measures. Following a review of road safety on Princess Road and a temporary traffic order to reduce the speed limit, it is proposed to complete works to the Barlow Moor Rd/Princess Rd junction, and a gantry arm, which will supplement the permanent traffic order. A capital budget virement of £0.359m from the Highways Investment Fund is requested.

## **5 Factory/St John's Quarter**

- 5.1 The reports to the January and March 2018 Executive outlined the proposals for the development of the St John's Quarter and the underpinning land assembly requirements. This includes the land acquisition to support the delivery of the extended Factory site. One of the sites is the subject to the exercise of an option to purchase the land which has to be exercised by August 2018.
- 5.2 The acquisition of the land is considered to be of significant benefit to the Council and the land assembly programme will enhance the Council's long term strategic landholding in the site of Factory, and crystallise the necessary access and other rights required to ensure the efficient construction and operation of Factory. As part of these arrangements it has been agreed that, on exercise of the option, the Council will provide a committed loan facility to facilitate the acquisition. As this is a loan of over 12 months it is classed as capital expenditure.
- 5.3 The loan facility will be based on comparable commercial terms which a commercial lender would accept. The capital funding will be provided from within the existing Factory capital budget, and will be funded from capital receipts.

## **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 – Rent Collection System. The current rent collection system is outdated with limited functionality. A review has taken place to seek alternative solutions, with a SAP & CPAD combination being recommended, to enable a streamlined approach to income management. A capital budget virement of £0.075m from the ICT Investment Fund is requested.
  - ICT – Meetings Management System. A new system is required to improve the efficiency of the meeting process, primarily for Members and the Senior Management Team. A solution called Modern.gov has been identified which will improve the efficiency of the meeting process from agenda creation to production and issuing of minutes and decisions internally and to the external website. A capital budget decrease of £0.061m from the ICT Investment Fund is requested and approval of a corresponding transfer of £0.061m to the revenue budget funded by capital fund.
  - ICT – Wi-Fi in Buildings Programme. The proposal is to seek funding for a feasibility study to determine a solution for a new Corporate wifi for Manchester City Council (MCC). A capital budget decrease of £0.080m

from the ICT Investment Fund is requested and approval of a corresponding transfer of £0.080m to the revenue budget funded by capital fund.

- Parks and Leisure – Painswick Park Improvements. The project will deliver improvements to Painswick Park to help meet additional demand for use of the Park from new residents. The works will involve improvements to Park, Play and pond areas. A capital budget increase of £0.030m is requested funded by external contributions (S106).
- Highways – A56 Liverpool Road. A proposal to create cycling lanes across the junction of the A56 Deansgate with Gt Bridgewater Street and Liverpool Rd. A capital budget increase £0.080m is requested funded by government grant.
- Highways – A56 Chester Road. The project will deliver improvements to the segregated cycle lane on the A56 around Lower Moss Lane. A capital budget increase of £0.051m is requested funded by government grant.

## **7 Prudential Performance Indicators**

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £14.930m, 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 include a recommendation to increase the Capital Expenditure indicator as detailed above.
- 7.3 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.

## **8 Conclusions**

- 8.1 The capital budget of MCC will increase by £14.930m, if the recommendations in this report are approved.
- 8.2 The revenue budget of MCC will increase by £3.141m, via the capital fund, if the recommendations in this report are approved.

## Appendix 1

Requests for Adjustments to the Capital Budget Provision							
30 May 2018 EXECUTIVE							
Dept	Scheme	Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	Future £'000	Total £'000
<b><u>Council Approval Requests</u></b>							
Highways	Mancunian Way Junction with Princess Road	Borrowing	1,000	636	1,576		3,212
Highways	Highways Investment Fund	Borrowing	(1,000)	(636)	(1,576)		(3,212)
Corporate Property	Hulme District Office	Borrowing	1,228				1,228
Corporate Property	Estates Transformation	Borrowing	(1,228)				(1,228)
Corporate Property	Estates Transformation - reduction to enable funding switch to revenue for new 'Estates Transformation Decant Budget'	Borrowing reduction, funding switch via Capital Fund	(1,500)	(1,500)			(3,000)
<b><u>Total Council Approval Requests</u></b>			<b><u>(1,500)</u></b>	<b><u>(1,500)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(3,000)</u></b>
<b><u>Executive Approval Requests</u></b>							
Housing	Empty Homes Cluster Phase 2	Capital Receipts	636	764	382		1,782
Housing	Marginal Viability Fund – New Victoria	External Grant	1,827	6,263	1,984		10,074
Housing	Marginal Viability Fund – Bowes Street	External Grant	2,385	929			3,314
Education	Capital Maintenance	External Grant	2,750				2,750
Education	Capital Maintenance (budget estimate)	External Grant	(3,000)				(3,000)
Highways	Princess Road Safety Measures	Borrowing	359				359
Highways	Highways Investment Fund	Borrowing	(359)				(359)
<b><u>Total Executive Approval Requests</u></b>			<b><u>4,598</u></b>	<b><u>7,956</u></b>	<b><u>2,366</u></b>	<b><u>0</u></b>	<b><u>14,920</u></b>



**Requests for Adjustments to the Capital Budget Provision**  
**30 May 2018 EXECUTIVE**

Dept	Scheme	Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	Future £'000	Total £'000
<b><u>Delegated Approvals</u></b>							
ICT	New Rent Collection System	Borrowing	75				75
ICT	ICT Investment Fund	Borrowing	(75)				(75)
ICT	ICT Investment Fund - reduction to enable funding switch to revenue for new 'Rent Collection System'	Borrowing reduction, funding switch via Capital Fund	(10)				(10)
ICT	ICT Investment Fund - reduction to enable funding switch to revenue for new 'Meetings Management System'	Borrowing reduction, funding switch via Capital Fund	(61)				(61)
ICT	ICT Investment Fund - reduction to enable funding switch to revenue for new 'New Wi-Fi in Buildings Programme'	Borrowing reduction, funding switch via Capital Fund	(80)				(80)
Parks & Leisure	Painswick Park Improvement	External Contribution	30				30
Highways	A56 Liverpool Road	External Contribution	80				80
Highways	A56 Chester Road	External Contribution	51				51
<b><u>Total Delegated Approvals</u></b>			<b><u>10</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>10</u></b>
<b><u>Total Budget Adjustment Approvals</u></b>			<b><u>3,108</u></b>	<b><u>6,456</u></b>	<b><u>2,366</u></b>	<b><u>0</u></b>	<b><u>14,930</u></b>