

Manchester City Council Report for Resolution

Report to: Executive – 27 June 2018

Subject: Capital Programmes Update

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. Parks and Leisure – Abraham Moss Leisure Centre. A decrease in the capital budget of £0.076m in 2018/19, £0.448m in 2019/20, £0.620m in 2020/21 and £0.206m in future years and the transfer of these values to the revenue budget, funded by capital fund.
2. Housing – Housing Affordability Fund - Empty Homes Scheme and Rent to Purchase. An increase to the capital budget of £1.6m funded by external contributions and a virement from the Equity Loans of £0.603m
3. ICT – Communications Room Replacement Phase 2. An capital budget allocation and transfer of £4.197m in 2018/19, £0.758m in 2019/20 and £0.069m in 2020/21 from the ICT Investment Fund, funded by borrowing.
4. Strategic Development – Civic Quarter Heat Network. A capital budget increase of £3.000m in 2019/20 and £2.000m in 2020/21, funded by borrowing on an invest to save basis.

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

1. ICT – Internet Resilience. A capital budget allocation and transfer of £0.444m from the ICT Investment Fund, funded by borrowing.

The Executive are also recommended:

To note increases to the programme of £0.148m 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 £1.495m, 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 £5.398m, 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 7th February 2018 – Capital Strategy and Budget 2018/19 - 2022/23)

Report to the Executive 7th March 2018 – Capital Programme – Proposed Increases

Report to the Executive 21st March 2018 – Capital Programme – Proposed Increases

Report to the Executive 30th May 2018 – Capital Programme Monitoring 2017/18
Outturn

Report to the Executive 30th May 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 the Council. Proposals for the 2018/19 to 2022/23 capital budget were presented to the Executive on 7^h 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 30th May 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 Parks and Leisure – Abraham Moss Leisure Centre. This is a change to an existing scheme. The proposal is a request for funding to enable a safe steps approach to progress a final design and cost plan (RIBA stage 1 to 4) for a new build library and leisure centre on the Abraham Moss Campus. A funding switch is required to fund the revenue costs of the temporary accommodation. As well as delivery of the scheme the planned outcomes include local employment, training and volunteering opportunities, a positive impact on health and wellbeing of local residents, providing a community hub and an energy reduction brief. A capital budget decrease of £1.350m is requested (£0.076m in 2018/19, £0.448m in 2019/20, £0.620m in 2020/21 and £0.206m in future years), and approval of a corresponding transfer of £1.350m to the revenue budget funded by capital fund.
- 3.3 Housing – Housing Affordability Fund. This proposal creates the Fund within the capital budget, and initially will focus on two schemes: Empty Homes Scheme and Rent to Purchase.

The Empty Homes Scheme proposal continues MCC's commitment to tackle empty homes, by purchasing long term empty properties, refurbishing them and then selling them to owner occupiers. Social value is met via discussions between Manchester College and private sector partners regarding opportunities for site experience, mentoring, skills and training. In addition, the refurbishment works will improve standards to ensure that they are safe and energy efficient, which will improve the health of the occupants, the project will attract owner occupiers into the area, who will be committed to staying in the area, which will improve stability and community cohesion, good quality, affordable housing which will be offered through the project, refurbishment works will increase the energy efficiency of the properties, which will promote environmental sustainability and reduce fuel costs for residents. A capital budget increase of £1.6m is requested, funded by external contributions (S106) of £1.6m and a capital budget virement of £0.400m from Equity Loans.

The Rent to Purchase proposal is to fund 20% equity share toward the cost of building 8 new properties in Cheetham Hill for first time buyers from the Housing Affordability Fund. The scheme will be ideal for work placements and employment for local people already involved in or wanting to enter the construction industry. A capital budget virement of £0.203m from Private Sector Housing Equity Loans is requested.

- 3.4 ICT – Communications Room Replacement Phase 2. This is Phase 2 of the Communications Replacement project, focusing on physically replacing the communications room hardware with fit for purpose technology to ensure that all sites have fast, secure and resilient networks to support staff and their operations. The new network hardware is more energy efficient than the current end of life hardware that is in situ and through the procurement process, opportunities will be sought to employ local residents to deliver the project. In line with agreed priorities, a capital budget allocation and transfer via virement of £5.024 (£4.197m in 2018/19, £0.758 in 2019/20 and £0.069m in 2020/21) from the ICT Investment Fund is requested.
- 3.5 Strategic Development – Civic Quarter Heat Network. This proposal is an extension to the existing £21.0m approved project to create the network. The project seeks approval for an increase of £5.0m. Of this, £3.0m is to meet the increased contract costs for the delivery of plant and equipment for the energy centre. The increase in costs is due to:
- The financial impact of the change in exchange rates, as the equipment is predominantly sourced from Europe as there are no suitable alternatives;
 - Changes to specification to ensure reduced emissions to improve air quality standards; and
 - The costs of the architectural treatment of the energy centre to meet planning requirements.

These costs will be funded from borrowing on an invest to save basis, met from future revenues generated from the project.

The remaining £2.0m is to establish a provision to install an additional combined heat and power unit to increase capacity. Similarly, this will be funded from borrowing on an invest to save basis, as there will be increased income from selling the additional capacity. A total capital budget increase of £5.0m is requested.

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 ICT – Internet Resilience. The Council's current internet connection is fast approaching full capacity due to an increase in public traffic. To support and enable transformational change towards the Council's Cloud First Strategy, additional bandwidth and resilience is required. The preferred is an accredited Living Wage employer. In line with agreed priorities, a capital budget allocation and transfer via virement of £0.444m from the ICT Investment Fund is requested.

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;
- Highways – Safe Routes to Schools, Chorlton High School. As part of the Greater Manchester Cycling Cities Ambition Grant Programme of Works Chorlton High School has been identified to benefit from improved cycle links to the wider cycle network. A capital budget increase of £0.080m is requested, funded by government grant.
 - Highways – Parking Schemes. The proposal seeks funding for the initial consultation on three parking schemes: Hathersage, North Manchester General Hospital and Rusholme. A capital budget increase of £0.045m is requested, funded by external contributions (S106).
 - Parks and Leisure – Northenden Riverside Park. This project is to update and replace a number of items of play equipment, and associated works, in Riverside Park Play Area. A capital budget increase of £0.075m is requested, funded by external contributions (S106).
 - Parks and Leisure – King George V Park. The funded Project will deliver improvements to King George V Park to sustain a quality park offer for local residents. The works will include improvements to Park,

Play and entrance areas. A capital budget increase of £0.093m is requested, funded by external contributions (S106).

- ICT – Members Case Management System. To replace the case management system used by, and on behalf of, Members for managing their casework. A capital budget decrease of £0.046m is requested and approval of a corresponding transfer of £0.046m to the revenue budget funded by capital fund.
- ICT – SAP Netweaver Upgrade. To upgrade from the current version 7.3 to the latest stable release which is version 7.5 which will enable applications to access SAP on Mobile devices; mitigate the risk of an unsupported component of a business critical application failing and support not being available and move from Internet Explorer 8 portal and Windows 2003 servers which will mitigate the security risk posed by these technologies and support the PSN recertification requirement to remove Windows 2003 servers. A capital budget decrease of £0.099m is requested and approval of a corresponding transfer of £0.099m to the revenue budget funded by capital fund.

6 Prudential Performance Indicators

- 6.1 If the recommendations in this report are approved the General Fund capital budget will increase by £5.398m, 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 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.

7 Conclusions

- 7.1 The capital budget of MCC will increase by £5.398m, if the recommendations in this report are approved, of which, £5.0m is funded by external resources on an invest to save basis.
- 7.2 The revenue budget of MCC will increase by £1.495m, via the capital fund, if the recommendations in this report are approved.

Appendix 1

Requests for Adjustments to the Capital Budget Provision							
27 June 2018 EXECUTIVE							
Dept	Scheme	Funding	2018/19	2019/20	2020/21	Future	Total
<u>Council Approval Requests</u>							
Parks and Leisure	Abraham Moss Leisure Centre	Borrowing reduction, funding switch via Capital Fund	(76)	(448)	(620)	(206)	(1,350)
Housing	Empty Homes Scheme	External Contributions	1,600				1,600
Housing	Empty Homes Scheme	Capital Receipts	400				400
Housing	Rent to Purchase	Capital Receipts	203				203
Housing	Private Sector Housing Equity Loans	Capital Receipts	(100)	(400)	(103)		(603)
ICT	Communications Room Replacement Phase 2	Borrowing	4,197	758	69		5,024
ICT	ICT Investment Fund	Borrowing	(4,197)	(758)	(69)		(5,024)
Strategic Development	Civic Quarter Heat Network	Invest to Save borrowing		3,000	2,000		5,000
<u>Total Council Approval Requests</u>			<u>2,027</u>	<u>2,152</u>	<u>1,277</u>	<u>(206)</u>	<u>5,250</u>
<u>Executive Approval Requests</u>							
ICT	Internet Resilience	Borrowing	444				444
ICT	ICT Investment Fund	Borrowing	(444)				(444)
<u>Total Executive Approval Requests</u>			<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Requests for Adjustments to the Capital Budget Provision 27 May 2018 EXECUTIVE							
Dept	Scheme	Funding	2018/19	2019/20	2020/21	Future	Total
			£'000	£'000	£'000	£'000	£'000
<u>Delegated Approvals</u>							
Highways	Safe Routes to Schools	External Grant	80				80
Highways	Parking Schemes	External Contribution	45				45
Parks and Leisure	Northenden Riverside Park	External Contribution	75				75
Parks and Leisure	King George V Park	External Contribution	93				93
ICT	ICT Investment Fund - reduction to enable funding switch to revenue for new 'Members Case Management System'	Borrowing reduction, funding switch via Capital Fund	(46)				(46)
ICT	ICT Investment Fund - reduction to enable funding switch to revenue for new 'SAP Netweaver Upgrade'	Borrowing reduction, funding switch via Capital Fund	(99)				(99)
<u>Total Delegated Approvals</u>			<u>148</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>148</u>
<u>Total Budget Adjustment Approvals</u>			<u>2,175</u>	<u>2,152</u>	<u>1,277</u>	<u>(206)</u>	<u>5,398</u>