
**Manchester City Council
Report for Resolution**

Report to: Executive – 25 July 2018

Subject: Capital Programme 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

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

1. ICT – New Intranet. A decrease in the capital budget of £0.270m in 2018/19 and £0.293m in 2019/20 and the transfer of these values to the revenue budget, funded by capital fund.
2. Strategic Development - Lincoln Square. A capital budget allocation and transfer of £1.200m in 2018/19 from the Sustaining Key Initiatives budget, funded by borrowing.
3. Strategic Development - Spire Hospital. A capital budget allocation and transfer of £5.784m in 2018/19 from the Strategic Acquisition budget, funded by Capital Fund.

Under powers delegated to the Executive, to approve the following changes to MCC's capital programme:

1. ICT - IRIS Migration. A decrease in the capital budget of £0.014m in 2018/19, and the transfer to the revenue budget, funded by capital fund.
2. ICT – GDPR. A decrease in the capital budget of £0.080m in 2018/19 and £0.081m in 2019/20 and the transfer to the revenue budget, funded by capital fund.
3. Growth and Neighbourhoods - Age Friendly Benches. An increase to the capital budget of £0.018m in 2018/19, funded by a Section 106 contribution.
4. Adult Education – Greenheys Toilets. An increase to the capital budget of £0.67m in 2018/19, funded by Revenue Contribution to Capital (RCCO).

5. Growth and Neighbourhoods – Somme Memorial. A virement of £0.030m in 2019/20 from the Parks Investment Programme, funded by borrowing.
6. Housing – Disabled facilities Grant. An increase to the capital budget of £0.578m in 2018/19, funded by external grant.
7. Redrow Housing. An increase to the capital budget of £0.300m in 2018/19, funded by capital receipts from property sales.
8. Children’s – Schools Capital Maintenance. A capital budget allocation and transfer of £0.111m in 2018/19 from Schools Capital Maintenance Unallocated budget, funded from external grant.
9. Our Town Hall - Coroners Audio Visual Equipment. An increase to the capital budget of £0.069m in 2018/19, funded by a £0.069m Revenue Contribution to Capital.
10. Strategic Development - Brazennose House. An increase to the capital budget of £0.678m in 2018/19, funded by £0.650m capital receipts and £0.028m capital fund.

To note that the Council's contribution for the Settled Accommodation for Homeless Families scheme will be a second charge, with the Registered Provider funder taking the first legal charge, as detailed in section 5.

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, Housing, 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
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 £0.738m, 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 £0.972m, 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
Report to the Executive 27th June 2018 – Capital Programme Update
Report to the Executive 11th July 2018 – Capital Programme Update

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 7th 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 11 July 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 the capital programme
- 3.2 ICT – New Intranet. To procure and implement a new cloud hosted Intranet solution that will offer improved, intuitive functionality with universal access to all staff and partner organisations. The project will be clearly split in terms of delivery whereby ICT will be involved in the procurement, implementation and support of the technical platform and Corporate Communications will manage the coordination and communications to deliver the intranet content, including the design and the look and feel of the product. A capital budget decrease of £0.563m is requested and approval of a corresponding transfer of £0.563m to the revenue budget, funded by capital fund.
- 3.3 Strategic Development - Lincoln Square. The Lincoln Square/Brazennose Street public realm project will provide a more distinctive identity for the square and the street, providing design cohesion and pedestrian flows, reduce vehicles and address cluttered and dated public realm. A capital budget allocation and transfer of £1.200m in 2018/19 from the Sustaining Key Initiatives budget is requested, funded by borrowing.

- 3.4 Spire Hospital – To fund the acquisition, demolition, clearance and site investigation of the Spire Hospital site, Whalley Range, for the new build development of an LGBT majority Extra Care scheme which will bring opportunities for work placements and employment for the local community. A capital budget allocation and transfer from the Strategic Acquisitions budget of £5.784m is requested, funded from the 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 ICT – IRIS Migration. The Coroners solution, IRIS currently runs on a Microsoft windows 2003 server that is unsupported by Microsoft. The proposal is to migrate the IRIS system to a PSN compliant, Windows 2008 environment and host it in a U.K. based data centre. A capital budget decrease of £0.014m is requested and approval of a corresponding transfer of £0.014m to the revenue budget, funded by capital fund.
- 4.3 ICT – GDPR. To procure an ICT solution to manage data protection, Freedom of Information requests and the corporate asset register, in line with the new GDPR regulations. A capital budget decrease of £0.161m is requested and approval of a corresponding transfer of £0.161m to the revenue budget, funded by capital fund.
- 4.4 Growth and Neighbourhoods - Age Friendly Benches. The scheme will consist of the purchase and installation 12 Age Friendly benches to primarily benefit older residents. The schemes aims are to support a more active aging population of local residents improving both the physical and mental health of older people, promoting active lives and continue to be participatory and independent within their local communities for longer. A capital budget increase of £0.018m is requested, funded by a Section 106 contribution.
- 4.5 Adult Education – Greenheys Toilets. The installation of additional toilets in Greenheys Adult Education centre at Upper Lloyd Street in Moss Side due to the increase of attendance at classes. The centre now receives up to 200 students per day and the toilet provision is insufficient for the demand, therefore, additional toilets need to be installed to ensure compliancy with Health and Safety regulations. A capital budget increase of £0.067m is requested, funded by a revenue contribution to capital.
- 4.6 Growth and Neighbourhoods - Somme Memorial. To create a permanent, commemoration at Heaton Park. The feature will provide people with a focal point within the park to reflect, remember and learn more about the Somme

- and consolidate the role the Park played in the national act of remembrance and during World War 1. The total cost of the project is £0.130m. There is already a budget of £0.100m in the capital programme funded by Libor grant. A transfer via a virement of £0.030m from the Parks Investment Programme budget is requested, funded by borrowing.
- 4.7 Housing – Disabled Facilities Grant. Manchester City Council have a statutory duty to provide adaptations, to disabled applicants, once their needs have been identified and re-housing is not considered to be a practicable solution. Adaptations can be delivered in a mandatory form or in a discretionary form, in line with the City Council’s Home Improvement Assistance Policy. The 2018/19 grant allocation was higher than anticipated in the capital programme. A capital budget increase of £0.578m is requested, funded by external grant.
- 4.8 Housing - Redrow Development Programme. Redrow Homes were selected as a preferred developer for 6 former CPO sites in the Moston area of North Manchester, with a view to build over 400 new homes, under licence, between 2010 and 2017. The original budget was based on estimated market values at the inception of the project. During the course of the project delivery, market values have increased. Consequently the last 2 units, which have completed this year, require an increase to the budget of £0.300m. This will be funded from income from the final two sales. A capital budget increase of £0.300m is requested, funded by capital receipts from property sales.
- 4.9 Children’s – Schools Capital Maintenance. The Council has a statutory obligation to maintain its estate of schools. The Council must continue to plan for and secure sufficient schools and places for the area in line with their duties under section 14 of the Education Act 1996. Schools must be maintained to an appropriate standard and be fit for purpose as their failure to comply would result in places being taken out of commission affecting the City’s overall sufficiency. A capital budget allocation and transfer of £0.111m from Schools Maintenance unallocated budget is requested, funded from external grant.
- 4.10 Our Town Hall - Coroners Audio Visual Equipment. As part of the Town Hall decant project there is a requirement to move the Coroner to the Royal Exchange, part of this work included a provision for the transfer of the AV equipment used in the court. ICT have had discussions with the Coroner Service and instead of moving current equipment, a new solution was investigated. ICT have now identified a solution that meets the Coroner’s needs. A capital budget increase of £0.069m is requested, funded by RCCO.
- 4.11 Strategic Development - Brazennose House. The Council has entered into an agreement for the lease, sale and purchase of land at Brazennose House to enable enhancements to public realm and siting of the new building. This involved the transfer of various plots at Mulberry Street between the Council and a third party. A capital increase is required to reflect the acquisition value which requires a technical accounting adjustment and the corresponding stamp duty. An increase to the capital budget of £0.678m is requested, funded by £0.650m capital receipts and £0.028m capital fund.

5 Settled Accommodation for Homeless Families

- 5.1 Executive agreed in March to provide £5m equity funding to a group of Registered Providers to support the purchase of around 60 homes for homeless families. In the report, it stated that the Council would secure the first charge on the property for its 35% contribution to each purchase. However, as the properties will be included on the respective Registered Provider's balance sheet, where a charge against a property is applied by the Registered Providers funders and second charge to the Council. The Executive is, therefore, asked to agree that the Council would hold a second charge on properties in the circumstance where the Registered Provider has applied a charge on the property to secure funding.
- 5.2 The Registered Provider sector is highly regulated and there is very little risk that any of the companies will get into such financial difficulty that their funder would have to step in. In order to minimise the risk to the Council's contribution it has agreed that no property can be sold without the Council's consent. If the Registered Provider becomes aware of concerns from its funder about its future viability, for example, the Council has secured the first option to purchase each property outright thereby securing the equity investment.

6 Prudential Performance Indicators

- 6.1 If the recommendations in this report are approved the General Fund capital budget will increase by £0.972m, 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.
- 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 £0.972m, if the recommendations in this report are approved.
- 7.2 The revenue budget of MCC will increase by £0.738m, via the capital fund, if the recommendations in this report are approved.

Appendix 1 - Requests for Adjustments to the Capital Budget Provision

Dept	Scheme	Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	Future £'000	Total £'000
Council Approval Requests							
ICT	New Intranet	Borrowing reduction, funding switch via Capital Fund	-270	-293			-563
Strategic Development	Lincoln Square	Borrowing	1,200				1,200
Strategic Development	Sustaining Key Initiatives	Borrowing	-1,200				-1,200
Strategic Development	Spire Hospital	Capital Fund	5,784				5,784
Strategic Development	Strategic Acquisitions	Capital Fund	-5,784				-5,784
Total Council Approval Requests			-270	-293	0	0	-563
Executive Approval Requests							
ICT	IRIS Migration	Borrowing reduction, funding switch - Capital Fund	-14				-14
ICT	GDPR	Borrowing reduction, funding switch - Capital Fund	-80	-81			-161
Growth and Neighbourhoods	Age Friendly Benches	External Contribution S106	18				18
Adult Education	Greenheys Toilets	RCCO	67				67
Growth and Neighbourhoods	Somme Memorial	Borrowing		30			30
Growth and Neighbourhoods	Parks Investment Programme	Borrowing		-30			-30
Housing	Disabled Facilities Grant	External Grant	578				578
Housing	Redrow Housing	Capital Receipts	300				300

Dept	Scheme	Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	Future £'000	Total £'000
Children's	School Maintenance	Government Grant	111				111
Children's	Unallocated Budget	Government Grant	-111				-111
Our Town Hall	Coroners AV Equipment	RCCO	69				69
Strategic Development	Brazenose House	Capital Fund	678				678
Total Executive Approval Requests			1,616	-81	0	0	1,535
Total Budget Adjustment Approvals			1,346	-374	0	0	972