



Resources and Governance Scrutiny Committee

Date: Thursday, 6 December 2018

Time: 2.00 pm

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **second supplementary agenda** containing additional information about the business of the meeting that was not available when the original agenda was published.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

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Membership of the Resources and Governance Scrutiny Committee

Councillors - Russell (Chair), Ahmed Ali, Andrews, Barrett, Clay, Davies, Lanchbury, Kilpatrick, R Moore, B Priest, Rowles, A Simcock, Watson and S Wheeler

Second Supplementary Agenda

- 5g Process for Updating Capital Strategy (Incorporating P6 Position)** 3 - 12
Report of the Chief Executive and City Treasurer
- This report provides an update on the 2018/19 capital programme and the process for developing the Capital Strategy for 2019/20 onwards.
- 6. Update on Capital Projects over £10m** 13 - 30
Report of the City Treasurer
- This report provides an update on the budgets for the City Council's major capital projects.
- 8. Exclusion of Press and Public**
The officers consider that the following item contains exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. The Committee is recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item.
- 9. Our Town Hall - Letting of the Management Contract** 31 - 58
Report of the City Treasurer
- This report provides an update on the procurement of a Management Contractor in relation to the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project.

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

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This supplementary agenda was issued on **Friday, 30 November 2018** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street), Manchester M60 2LA

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 6 December 2018

Subject: Process for Updating the Capital Strategy incorporating the P6 position

Report of: The Chief Executive and City Treasurer

Summary

The purpose of this report is to provide an update on the 2018/19 capital programme and the process for developing the Capital Strategy for 2019/20 onwards.

Recommendations

The Committee is asked to note the report.

Wards Affected: All

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	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards the strategy, notably investment in sustainable and affordable housing, building schools for the future, transport, environmental and major

	regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth	Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes

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 capital programme report as presented will require £597.9m (all non-HRA) of prudential borrowing over the five year period 2019/20 to 2023/24, all for Manchester City Council projects. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

Financial Consequences – Capital

The latest budget, excluding projects for Greater Manchester, for 2018/19 is £448.0m of which £272.6m is forecast to be funded from borrowing. Over the longer term to 2023/24, the budget is £1,475.6m of which £870.5m is forecast to be funded from borrowing.

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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.

Executive, 7 February 2018 (Capital Strategy and Budget 2018/19 to 2022/23)

Council, 2 March 2018 (Capital Strategy and Budget 2018/19 to 2022/23)

Executive, 30 May 2018 (Capital Programme Monitoring 2017/18 – Outturn report)

Executive, 25 July 2018 (Capital Programme Monitoring – Q1)

Executive, 17 October 2018 (Capital Programme Monitoring – Q2)

Executive, 17 October 2018 (Capital Update)

Executive, 14 November 2018 (Capital Programme Update)

1 Introduction

- 1.1 The capital budget forms an integral part of the Council's annual budget process. This report updates the latest position on the forecast capital budget for 2019/20 and beyond following the period 6 (end September 2018) monitoring report.

2 Context

- 2.1 This report is based on the budget included within the period 6 Capital Monitoring report to Executive in October 2018, amended to include the proposals approved within the Capital Update report to Executive in November and to reflect proposals which have full Council approval. The final Capital Strategy will be updated to reflect the period 9 position at the end of December 2018 before being submitted to Executive in February as part of the suite of budget reports and Council in March.
- 2.2 The final budget proposals will be reported to Executive in February 2019 and will include further information on anticipated projects and programmes for 2019/20 and beyond.

3 Development of the Capital Strategy

- 3.1 The Capital Strategy is developed to ensure that the Council can make capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability. The Strategy, therefore, sets out the longer term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and return and the impact on the achievement of priority outcomes.
- 3.2 The Strategy for 2018/19 incorporated the existing capital budget, which had seen significant investment proposals introduced as part of the budget for the previous year. These proposals were developed with regard to the key priorities for the Council, including;
- residential growth, including housing affordability;
 - high quality school facilities for a growing population;
 - investment in cultural and sporting facilities;
 - investment in transport infrastructure; and
 - promotion of economic growth to support wider Council priorities.
- 3.3 The Council makes a clear distinction between capital investments, where the achievement of strategic aims will be considered, alongside affordability; and treasury management investments, which are made for the purpose of cash flow management.
- 3.4 Council investments, as opposed to pure cash flow management decisions, will be made in line with the Capital Strategy priorities which are set out in this document. These decisions are clearly within the economic powers of the

Council and there are strong governance arrangements that underpin the decision making. Longer term capital investment decisions will not be made purely on the basis of commercial decisions and chasing yield, however, inevitably some schemes will be financed all or in part from returns on investment. There may also be:

- externally funded programmes such as those for schools;
- schemes funded from ring-fenced resources such as those within the Housing Revenue Account (HRA); or
- schemes requiring investment from Council resources to support strategic priorities such as investment in the highways infrastructure, ICT and asset management.

- 3.5 All capital investment decisions will be underpinned by a business plan that ensures strategic fit with the Council's priorities and which sets out any expected financial return alongside the broader outcomes expected including economic and social benefits.

4 Governance

- 4.1 Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings. The Council and its residents receive a benefit from the capital expenditure invested in the assets for a long period of time (i.e. more than a year). It is the Council's policy to capitalise any expenditure, over a total value of £10,000, which fulfils this criteria.

- 4.2 The Council has revised the approval process for capital expenditure through the Checkpoint process. The process has five distinct stages and covers project initiation, project design and costs, funding approvals including key decisions, approval to spend and monitoring/review.

- 4.3 For any project seeking capital expenditure approval a business case must be drafted, covering:

- **Strategic Fit:** how the project links to the City Council's strategic priorities, social value, and any statutory requirements.
- **Economic Value:** what economic value the project will provide to the City.
- **Financial Implications:** funding model, with evidence of cost and capital and revenue implications
- **Risk and Deliverability:** timescale for delivery and identification of risks to the project, including legal issues.
- **Outcomes to be delivered:** what the project will achieve, and the benefits that will be realised.

- 4.4 The business cases must be agreed by the relevant directorate board, and approved by the Executive Member for that portfolio before being submitted into the process. Once submitted, the business cases are subject to peer review within the Council prior to being presented to the Strategic Capital

Board, chaired by the City Treasurer. The Board will discuss each submission and make recommendations to the Members at key stages of the checkpoint process.

- 4.5 Throughout the decision making process the progress and risks for each project are reviewed and revised, and form a key part of the monitoring of the capital programme. The Strategic Capital Board receive monthly updates from each directorate board on their part of the capital programme, detailing financial forecasts, risks, and expected outcomes. The Board will also review proposals for the use of Section 106 funding for capital projects, and make recommendations to members.
- 4.6 The governance process for approving capital investments, such as loans to third parties, is the same as that for the wider capital programme. As with any proposed capital expenditure, any investment is peer reviewed and the risks associated with the investment explored.
- 4.7 The capital programme is monitored monthly, with quarterly reports to Executive. Any changes to the programme in year are reported to Executive as part of specific Capital Update report, detailing the aims of the project, the source of the funding and the funding required.

5 New Proposals for 2019/20 onward

- 5.1 For projects to be included within the capital budget they must comply with the governance process above, and have a full business case approved by the relevant Portfolio Board, Strategic Capital Board, Executive members and following consultation with ward members where appropriate.
- 5.2 The basis for the 2019/20 Capital Strategy and Budget reported to Executive in February will be the continuation of the existing capital programme allowing for adjustments to the timing of the spend across years where known. For a new project to be included in the budget, the relevant approvals as detailed above will need to have been received by early 2019.
- 5.3 The governance arrangements for approving new projects mean that some may not be sufficiently developed and have evidence based costs, delivery routes and timescales to be included in the February report to Executive. It is therefore expected that projects will be approved throughout the financial year, as the information to support is developed to ensure that proposals are robust and deliverable.

6 Proposed Capital Programme from 2019/20

- 6.1 Based on the information as at Period 6 submitted to October Executive and projects approved by Executive and Council since then, the overall forecast capital programme 2019/20 to 2023/24 across Directorates is as summarised in the table below. The detail of the current capital programme relevant for each Directorate is also provided within Directorate Business Plans submitted to the relevant Scrutiny Committees.

- 6.2 The programme will need to be reviewed if the resource position changes from the indicative level. The funding resources available to the City Council are invested so that they focus on the key priorities for the Council and take a holistic view of all planned investment in a locality. Projects that will secure 100% external funding can be added to the programme if they fit strategically.

	2018/19 budget £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	Total £m	Total 2019/20- 2023/24 £m
Manchester City Council Programme								
Highways	41.5	64.5	34.3	27.9	0.0	0.0	168.2	126.7
Neighbourhoods	13.0	31.2	19.4	3.1	0.0	0.0	66.7	53.7
Growth	143.8	121.6	70.6	14.3	0.0	0.0	350.3	206.5
Town Hall Refurbishment	11.6	26.5	73.2	107.8	68.1	14.2	301.4	289.8
Housing – General Fund	25.3	26.6	29.1	8.2	0.0	7.5	96.7	71.4
Housing – HRA	24.5	37.6	45.3	25.7	3.1	0.0	136.2	111.7
Children's Services (Schools)	45.2	83.6	5.0	3.0	0.0	0.0	136.8	91.6
ICT	8.4	17.3	15.3	6.4	0.0	0.0	47.4	39.0
Adults, Children's and Corporate Services	134.7	16.4	15.1	5.7	0.0	0.0	171.9	37.2
City Council TOTAL	448.0	425.3	307.3	202.1	71.2	21.7	1,475.6	1,027.6
Projects carried out on behalf of Greater Manchester	132.3	118.6	29.4	0.0	0.0	0.0	280.3	148.0
OVERALL TOTAL	580.3	543.9	336.7	202.1	71.2	21.7	1,755.9	1,175.6

- 6.3 The proposed programme budget represents the indicative profile of capital expenditure as forecast now. Over time it is likely that the profile will change, as projects develop both through design and on site. There are also risks within the programme around the timing of acquisitions, as whilst estimates can be made regarding when such acquisitions may be made it is dependent on negotiations being conducted to that timescale. Through the governance and reporting process described above, changes in the profile and the reasons for them will be reported to members.

- 6.4 Details of the major schemes included within the proposed programme will be provided as part of the full budget report to February Scrutiny and Executive.

The summary position is outlined in the table below:

Projects carried out on behalf of Greater Manchester

- 6.5 The capital programme for projects carried out on behalf of Greater Manchester consists of schemes where Manchester is acting as the lead body on behalf of the Combined Authority for schemes across the region. The funding was held by Manchester because the Combined Authority did not have the borrowing powers for economic regeneration that were required.
- 6.6 Borrowing powers have since been granted to the Combined Authority, and work is underway to novate the Fund across to the Authority. Due to the complexity of some of the existing loan agreements, the Council will be asked by the Combined Authority to retain some of the investments, and the Combined Authority will fund the Council at nil cost to do so.
- 6.7 This means that the forecast position is expected to reduce significantly, as any new loans will be issued by the Combined Authority and not the Council. The only capital expenditure activity that the Council would need to account for is if any existing loans are increased.

7 Capital Financing Strategy

- 7.1 The Council has several funding streams available to fund capital expenditure. Alongside external grants and contributions that the Council may be eligible to receive, the Council can also use revenue funding, capital receipts and prudential borrowing.
- 7.2 Capital receipts are generated through the sale of assets. These receipts are ring-fenced, under legislation, to fund capital expenditure and cannot be used to fund the revenue budget.

Restrictions around funds

- 7.3 The capital financing strategy is set in the context of restrictions around certain capital funds, some statutory and some which are at the Council's discretion.
- 7.4 The Housing Revenue Account (HRA) is a restricted fund, and funding from the HRA can only be used to fund capital expenditure on HRA assets.
- 7.5 The Council also operates the following fund restrictions:
 - Housing capital receipts (both General Fund and Housing Revenue Account) are reserved for use on new Housing projects;
 - General Fund capital receipts will be used, in the first instance, to support the Asset Management Programme.
 - Grants received will be used for the specific purpose intended, even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

Prudential Borrowing

- 7.6 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision (MRP).
- 7.7 Where the Council has funded expenditure through borrowing, it is required to make a minimum revenue provision towards the repayment of the debt. This ensures that the revenue cost of repaying the debt is spread over the life of the asset, similar to depreciation.
- 7.8 As part of the budget process, the estimated financing costs for the capital programme and for existing debt have been calculated as part of the revenue budget, and this has determined that the proposed programme and the existing debt liabilities are affordable within the existing revenue budget.
- 7.9 In line with the Prudential Code requirements, the Local Authority must have explicit regard to option appraisal and risk, asset management planning, strategic planning, and the achievability of the forward plan.
- 7.10 The draft funding forecast for the current capital programme across all years is shown below, excluding the projects carried out on behalf of Greater Manchester:

	2018/19 budget £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	Total £m
Grant	81.3	149.1	48.1	11.1	0.0	0.0	289.6
External Contribution	20.8	27.9	13.7	3.7	0.0	0.0	66.1
Capital Receipts	34.6	22.8	27.8	7.8	0.0	7.5	100.5
Revenue Contribution	38.7	37.7	39.4	30.0	3.1	0.0	148.9
Borrowing	272.6	187.8	178.3	149.5	68.1	14.2	870.5
Total	448.0	425.3	307.3	202.1	71.2	21.7	1,475.6

- 7.11 Work will continue to confirm the position for the capital programme from 2018/19 to 2023/24 and, as discussed above, the final capital budget will be reported to Council in March. This will include the effect of any changes in the delivery of the current programme in 2018/19. It is expected that any such changes should simply require a re-profiling of the programme between financial years, with no overall change to the estimated total funding requirement for the Council.

8 Conclusions and Next Steps

- 8.1 This reports provides an overview of the capital budget for the period to 2023/24 based on the position as at P6 together with any further approvals since that time. The capital programme is affordable within the existing revenue budget based on the estimated capital financing costs associated with the programme.
- 8.2 There are risks associated with the delivery of the capital strategy, specifically regarding delays to the programme and requires robust treasury management; measures are in place to mitigate these risks through both the Strategic Capital Board and the treasury management strategy.
- 8.3 New proposals to be introduced to the budget, either before the report to Executive in February or after, will be scrutinised through the Capital Approval Process which includes strong member engagement as a requirement.
- 8.4 Any projects which are successful in the Approval Process will be introduced to the capital budget at the earliest opportunity.
- 8.5 The detailed capital strategy for 2019/20 and future years will be reported to Resources and Governance Scrutiny Committee and Executive in February 2019 for approval as part of the budget suite of reports. Council will be requested to approve the capital programme at its meeting in March 2019.

9 Key Policies 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 None in this report.

(c) Legal Considerations

- 9.3 None in this report

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 6 December 2018

Subject: Major Capital Projects Update

Report of: The City Treasurer

Summary

The purpose of the report is to update the Committee on the budgets for the City Council's major capital projects.

Recommendations

The Committee is asked to note the report.

Wards Affected: All

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	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards the strategy, notably investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

A connected city: world class infrastructure and connectivity to drive growth	Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes
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Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None.

Financial Consequences – Capital

The report provides details of capital budgets.

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Position: Group Finance Lead – Capital and Treasury Management
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Background documents (available for public inspection):

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Executive, 25 July 2018 (Capital Programme Monitoring – Q1)

Executive, 17 October 2018 (Capital Programme Monitoring – Q2)
Executive, 17 October 2018 (Capital Update)
Executive, 14 November 2018 (Capital Programme Update)

1 Introduction

- 1.1 At the last meeting of the Resources and Governance Scrutiny Committee in November 2018, members requested a report on the progress of the City Council's major capital schemes totalling £10m and over, and specifically the progress against the original budget for the scheme.
- 1.2 The City Council's capital programme currently totals £1,475.6m for the period 2018/19 to 2023/24 and is summarised in the table below:

	2018/19 budget £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	Total £m
Manchester City Council Programme							
Highways	41.5	64.5	34.3	27.9	0.0	0.0	168.2
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ICT	8.4	17.3	15.3	6.4	0.0	0.0	47.4
Adults, Children's and Corporate Services	134.7	16.4	15.1	5.7	0.0	0.0	171.9
TOTAL	448.0	425.3	307.3	202.1	71.2	21.7	1,475.6

- 1.3 This report focuses on those schemes which remain ongoing within the capital programme. However, it specifically excludes those included within the Highways Maintenance, ICT and HRA Housing programmes as these are intended to be the subject of future pieces of work. It also excludes major projects such as Factory and the Life Sciences development as these have either been recently considered by this committee and/or will feature on the future work programme. Similarly, although included, the Town Hall will feature on a further work programme.
- 1.4 The table below summarises the financial position for the projects included within this report with the detail attached as Appendix 1. Prior year spend is included, where relevant, for individual projects which remain ongoing within the programme.

	Prior Year Spend to 2017/18 £000	2018/19 Current Forecast £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Neighbourhoods								
Highways Stand Alone Projects	42,850	20,703	18,977	100				82,630
Environment	5,067	523	5,910					11,500
Leisure and Sports	598	1,251	24,729	19,374	5,370	43		51,365
Strategic Development								
Corporate Estates	4,444	52,186	28,289	20,040	9,607			114,566
Strategic Acquisitions	-	15,914	3,000	3,000	3,000			24,914
Development	74,300	31,478	19,301	8,415				133,494
Private Sector Housing	60,017	13,058	10,312	19,340	8,184			110,911
Children's Services								
Schools	77,625	14,092	81,701	4,138	3,000			180,556
Corporate								
Town Hall	3,811	11,565	26,520	73,198	107,834	68,046	14,230	305,204
Integrated Working - Gorton Health Hub	0	1,400	10,150	8,627	2,619			22,796
TOTAL	268,712	162,170	228,889	156,232	139,614	68,089	14,230	1,037,936
<i>Note: Where prior year spend is related to a programme rather than a single project then it will not be included.</i>								

2 Context

- 2.1 The definition of capital expenditure is expenditure incurred to create an asset which will have a useful economic life of over a year, and is accounted for differently from revenue expenditure. The City Council has a capital programme which contains a large number of projects, and a number of these schemes are expected to require investment exceeding £10m in total.
- 2.2 Large capital projects tend to be complex in nature, and any project which creates a long term asset will require long term planning. This means that

projects may need to be agreed before there is cost certainty, and with a degree of risk accepted. As a project develops from initiation through design to build and completion and more information becomes known about the project, the costs associated with it may change.

- 2.3 Budgeting for a capital project at the initiation stage therefore requires a degree of estimation. Whilst project officers can benchmark to other similar projects either managed by the Council or other parties, each project is different.
- 2.4 If projects do require a budget amendment once the project has begun, under the Council's constitution approval is required. In the vast majority of cases such amendments will require Executive or Council approval, with only some able to be approved under delegated powers.

3 Major Capital Schemes

- 3.1 For the purposes of this report, a major capital scheme has been defined as a single scheme with total budget of more than £10m. A full list of all the schemes that meet that criteria in the existing capital budget is shown at Appendix 1.
- 3.2 Detailed below for each directorate are the relevant projects, their original budget compared to their current budget with the rationale for any difference, as well as the current total spend as at the end of September 2018. Activity to date is also described. Where available, progress against anticipated delivery dates are also shown.

4 Highways

- 4.1 The Manchester/Salford Inner Relief Road (MSIRR) project was introduced into the capital programme at £0.3m in 2014/15, and is now a £13.9m project. The budget has been increased incrementally, to match the approval process for the funding source for the project which is Growth Fund grant. The scheme is on site and is currently expected to finish ahead of programme finishing in 11 months rather than 12 and be within budget.
- 4.2 The budget for the Street Lighting PFI project, to replace existing bulbs with LEDs, was set in 2014 at £32.8m and is unchanged. Work has progressed well on the project, with the programme ahead of schedule but some slowing down is expected when the project begins to replace conservation style lanterns which require additional design work. Some opportunities have been taken to reinvest some savings into the lighting of Rochdale Undercroft as a safety measure alongside the canal to improve safety.
- 4.3 The South East Manchester Multi Modal Strategy (SEMMMS) is a programme of works around the A6, the Manchester Airport Relief Road and the A6 to M60 link. This project is funded by Transport for Greater Manchester, and is undertaken by Stockport MBC. The Council recognises work completed on assets it owns to maintain the asset register, and is notified by Stockport MBC

as to the value of these works. Therefore the budget has changed since the project began, but this is not an area the City Council has control over.

- 4.4 The original budget allocation to the Bus Priority - Oxford Road scheme was based on a proportion of the allocation to the City for the bus priority programme from GM and was set at c£17.8m. However, this overestimated the allocation to the City Council and the budget was subsequently revised to £13.2m. This project has been completed within budget and has won a national award for its design.

5 Neighbourhoods

- 5.1 The Waste Contract capital budget of £11.5m was approved by Executive as part of the 2016/17 budget, and the budget remains the same. The loan has been used by the contractor to replace vehicles, and is repaid through savings on the contract. Spend to date is £5.4m.
- 5.2 The Parks Improvement Plan budget of £20.5m was approved as part of the 2017/18 budget, and was combined with smaller existing parks capital budgets which were aligned with the principles of the plan, creating the £21.3m budget in the current forecast. Spend to date is £0.4m. A submission has been made to draw down funding to progress the feasibility studies to inform how the investment will be deployed and this is pending approval through the Council's Capital Approval process. The feasibility work will establish the options available for capital projects, which can support the overarching parks business plan. Once these studies are complete business cases for the projects will be developed.
- 5.3 As part of the 2016/17 budget, the project to complete works at the Abraham Moss Leisure Centre was introduced for £8m. Based on initial surveys, the budget assumed that the leisure centre could be refurbished. Following more detailed surveys following the budget approval it became apparent that a refurbishment was not the most advantageous solution, and that a new build would deliver the Council better value for money. Consequently, the budget was increased to £17.1m. During 2016/17 officers were asked to undertake a through site options review for the development of the Leisure Centre, which concluded the existing site as the preferred option. As a consequence of the review, the project timeline has extended and the final cost is currently being determined and could be higher due to inflation on construction costs. This will be reported in due course. Spend to date is £0.3m.
- 5.4 The Manchester Football Hubs project was introduced to the budget as part of the 2016/17 budget. The project has not yet secured the external investment from the Football Association required to take this forward. Work is underway to secure the investment and this project will not progress until the funding is confirmed so no expenditure has been incurred as yet.

6 Development

- 6.1 The Asset Management Programme funds works to the Council's corporate estate and is an annual rolling programme. The current budget is £37.1m for the period 2018/19 to 2021/22, which is higher than the £34.5m approved by Executive due to the underspend carried forward from the 2017/18 programme. Spend to date this year is £3.4m with a total forecast spend of £9.5m against the 2018/19 budget of £16.2m. This is a planned underspend, which is to accommodate some major repair and maintenance works planned for 2019/20. Historically the Asset Management Programme budget was not allocated and spent according to planned and evidential need, resulting in unresolved issues and backlog maintenance. Since the introduction of the Corporate Landlord model a more rigorous approach has been adopted, with Stock Condition Surveys being undertaken and a planned and programmed approach to works based on empirical data, priority and risk. The service has recognised that it is still experiencing a greater level of slippage than desired and is amending processes to address this issue. The key change required is to bring forward the approvals process by circa 6 months to allow for design and procurement work to be undertaken, and have projects designed and contractors in place at the start of the financial year.
- 6.2 The Strategic Acquisitions Programme is a budget which rolls forward, if unspent, to provide funding for the Council to acquire sites across the city which are strategically important to support the City's priorities. The timing of any acquisitions is difficult to predict as it depends on such sites being available, and then successful negotiations with third parties, which means that the spend profile for the Strategic Acquisitions budget can only be indicative. An example of this is that the negotiations for the Spire Hospital site took longer than anticipated, and therefore the budget allocated to it in 2017/18 was slipped into 2018/19. Spend to date against the 2018/19 budget of £15.9m is £9.9m. Commitments of a further c£3m are in detailed negotiation. Experience is that not all transactions are likely to be completed within the profiled timescales.
- 6.3 Works at the Hammerstone Road depot were included in the budget for 2016/17 at £15m, and this budget remains unchanged. Originally intended to complete in 2018/19, works have been delayed and spend to date is £0.1m. The delays were as a result of the procurement of a construction partner, but that activity has now been completed. The scheme is in the design stage and is scheduled to start on site in Q2, 2019 and to be completed circa Quarter 1 2021.
- 6.4 Budget proposals to refurbish Heron House were introduced as part of the 2016/17 budget process at £12m. There have been several changes to the budget since then, and the current budget for the project is £18.5m, now including the refurbishment of the Registrar's offices. These changes in budget have been due to a number of factors, identified through the pre-construction programme and construction phase. Examples would be the introduction of air conditioning, presence of asbestos and associated cost of removal, along with other tenant requirements.

- 6.5 The Civic Quarter Heat Network budget was originally £14.0m when it was introduced in the 2016/17 budget, but this has increased to £26.0m due to changes in design and specification. This has been offset by some additional external funding, and is still affordable within the spend to save financial model for the project. More detail on the project was reported to Resources and Governance Scrutiny Committee at its November meeting. Final work is being completed on the legal structure of the project, and spend is then expected to be incurred.
- 6.6 Within the 2017/18 capital budget the Estates Transformation programme was included, recognising that significant work was required within the Council's estate to allow for the refurbishment and upgrade of buildings, particularly given the works at the Town Hall. The original budget was £19.0m, and this is now £18.0m following a transfer to cover revenue costs associated with the programme. Spend to date is £1.3m, with works onsite at Hulme District Office and expected to complete in Q1 2019.
- 6.7 The Space Project was introduced to the capital budget in March 2016 at a value of £14.0m. The budget is currently £15.4m following a budget increase during 2016/17. This budget increase was sought to fund tenant fit-outs, which are to be recouped through increased rents. Spend to date is £14.3m and the project is now complete, subject to reconciliation of the final project account.
- 6.8 In June 2016/17 a budget increase of £5.3m was approved for the Digital Asset Base – One Central Park project, which increased the project budget to £8.97m following detailed design work. This budget is now £10.8m following a budget increase in November 2018, to fund improvements to the external facade that were previously excluded from the scope of the project and an allowance to fund tenant fit out. The latter element may not be utilised as this will only be required to attract specific occupiers. The additional resources were funded on a spend to save basis. Spend to date against this project is £2.9m.
- 6.9 The Sustaining Key Initiatives budget was introduced in the 2017/18 budget at £25.0m to allocate funding to support projects throughout the City that may need Council support. The current budget is £13.6m, following approved virements to the Lincoln Square public realm, Factory and Heron House projects.
- 6.10 Proposals for a budget for the Eastern Gateway were agreed as part of the budget process for 2017/18 at £47.6m. The current budget is £45.6m, due to a transfer of £2.0m to revenue to cover the holding costs for the Central Retail Park. The budget has been used to acquire the retail park and to complete works to New Islington Marina. Spend to date is £37.4m
- 6.11 As part of the same budget process, a similar programme was agreed for the Northern Gateway at £25.0m. This budget is unchanged, and spend to date is nil as work progresses in establishing the Joint Venture (JV) with Far East Consortium (FEC) which will deliver the regeneration of the Gateway area. To date, a Draft Strategic Regeneration Framework (SRF) to inform and guide

future development activity has been prepared and has formed the basis for an extensive public consultation process undertaken in the autumn of 2018. A final version of the SRF together with a plan of activity for the first phases of delivery will be brought back to a future meeting of the Executive. Land assembly and the provision of core infrastructure will be a key requirement for the successful delivery of the initiative and a bid for Housing Infrastructure Fund will be submitted to Government in March 2019 for additional resources to augment planned investment from the City Council and its Joint Venture partner.

- 6.12 The budget for St Peter's Square was £23.4m in 2014/15. Works have included the Cenotaph relocation, Library Walk and the water feature, and will be completed with the Peterloo Memorial. Spend to date is £22.1m as the majority of the project has been completed for some time, with the Memorial being the final works.

7 Our Town Hall

- 7.1 Budget provision for the Our Town Hall project was included in the 2017/18 budget at £306.1m, and this has subsequently reduced to £305.2m as some of the project costs have been identified as revenue in nature and therefore the budget has transferred.
- 7.2 The project is overseen by a Strategic Board which is chaired by the Deputy Leader and which includes the Leader, Lead Member for Finance and Human Resources, Chief Executive, City Treasurer and City Solicitor. A robust governance structure is in place, which was updated and signed off by the Strategic Board on 1 August 2018. The revised structure has added an additional level of governance (the SMT Sub-Panel) to sit between the Project Board and Strategic Board. A schedule of delegated authorities is agreed in accordance with the Council's constitution, and the project calendar has been updated to reflect a routine cycle of reporting that is based on a 4 weekly flow of information upwards from the project into the governance structure.
- 7.3 The project is approximately 50% of the way through RIBA Stage 3 design (Developed Design). The core consultant team was appointed in 2017, and has been expanded progressively as further additional specialist advice is required. The team currently comprises in addition to the core team, a buildability consultant, fire engineer, acoustician, security strategy consultant, planning consultant and creative producer. To date, 150 staff have been inducted into the project office (Council and consultant staff) working side by side in the Town Hall building. A programme of intrusive surveys to validate the assumptions made during RIBA Stage 2 (Concept) Design is underway and making good progress.
- 7.4 The procurement process for the management contractor is due to conclude before Christmas 2018.
- 7.5 Within the budget there are significant contingencies to cover inflation, scope gap and unforeseeable issues. The combined contingency for all three

elements of contingency (GAP, Contingency and Inflation) is currently 36% of the total capital Budget of £305m, which is considered to be appropriate for this project at this stage in its development. Allocations from contingency are utilised in line with the agreed governance framework for the project. The project remains on target for the building reopening in March 2024. Spend to date is £5.5m.

8 Private Sector Housing

- 8.1 The Disabled Facilities Grant has been received by Local Authorities for a number of years to fund adaptations designed to support residents in their homes. For 2018/19 the capital allocation was £27.8m, and the current budget is now £27.5m as some of the budget was accelerated into 2017/18 as spend had progressed more quickly than anticipated. This was primarily due to increased flexibility in the use of grant. Current spend against the 2018/19 budget is £4.05m. Funding is spent in accordance with the conditions of the grant, which will include the financial years up to which the relevant spend should take place.
- 8.2 Phase 2 of the Redrow development has been in the budget since before 2013/14. The funding arrangements involved the development of 6 sites with proceeds from the sale of homes to be split between the Council and the developer. Since completion of the development the Council has received income from every house sale, but the accounting treatment for this requires recognition of the gross income alongside the Council paying the developer their share. The budget therefore includes the payment to Redrow Homes of their share of the income. The current budget is £32.2m, of which nearly all has been spent as the final units are expected to be sold this year.
- 8.3 The regeneration project at Ben Street was approved in March 2016 with a budget of £15.6m, and this has remained unchanged. The project was anticipated to complete in 2017/18, but has been delayed due to the need to acquire three properties where the owners are untraceable, which will require a Compulsory Purchase Order. It is expected that the total spend for the project will not exceed £10m. Spend to date is £6.1m.
- 8.4 In May 2018 a budget of £10.1m was created, funded from the government's Marginal Viability Fund, to support housing development at New Victoria. This budget remains unchanged. The Council is not directly involved in the delivery of the scheme, but is the funding link between government and the developers. The scheme is now in receipt of the grant offer for the funding with a deadline date of 31 January 2019 for acceptance. The Council will work with the developers to ensure that the terms are acceptable and can be complied with. The scheme is yet to commence but should all terms be acceptable and the developer is on site in 2019, it is anticipated that completion will be in 2021.

9 Children's Services

- 9.1 The Children's Basic Need programme is funded from government grant, and to progress a programme of works the Council has historically allocated monies to a project before contractor costs are fully agreed due to the need to ensure planning applications and legal issues are resolved in time to allow the build to complete and the Council fulfil the statutory duty to provide places. This means that the budgets for individual schools have had a tendency to change as the design progresses and site issues are understood.
- 9.2 The original budget for the Dean Trust secondary school at Ardwick was £24.0m, and was introduced to the budget in December 2014. The current budget is £28.3m, as the demolition budget for the site was subsequently added to the project, and spend to date is almost to budget. The school opened in September 2015 and moved to the new building in September 2016.
- 9.3 The secondary school built at Lytham Rd was budgeted at £25.1m and is now expected to cost £30.0m, due to additional ground works and highways work required. Spend to date is £29.7m. The school opened on time in September 2017.
- 9.4 The Co-op Academy Expansion was budgeted at £14.6m in June 2016, and is now forecast to cost £18.9m, as the design was altered to include an additional 30 places per year groups (150 places). Spend to date is £18.0m. The expansion is now completed and opened in September 2018.
- 9.5 The budget for a school on Matthews Lane was introduced in 2017 at £41.2m, following a budget allocation for some initial survey works. The current budget is £43.9m, and spend to date is £4.4m.
- 9.6 The unallocated Basic Need is the funding remaining as the grant award is allocated to school projects to create additional school places. If projects require budget increases, or find savings, this will impact on the unallocated funding available. For the 2018/19 budget the unallocated funding was £48.4m and this is currently £48.2m. Approximately £20m of this has been identified for increasing special school places and alternative provision across the City and the programme for this is currently being finalised. There has been no further allocations of basic need funding to the City for 2019/20 or 2020/21 so how and where the remaining unallocated funding will be used will be based on projected growth, the approval of any free schools in the City through recent free school application rounds and expansions of schools in areas where there is greatest demand on school places.
- 9.7 The unallocated School Maintenance budget works in a similar way to the unallocated Basic Need. The budget for 2018/19 was £13.1m, and now stands at £10.3m as additional maintenance projects have been identified and approved.

10 Corporate

- 10.1 The Gorton Health Hub project, intended to create a hub at which various public services can be provided, was budgeted at £22.8m as part of the 2017/18 budget, with an expectation that it would be completed by 2019/20. There have been challenges in terms of the design, and also with agreeing the financial model for the asset as the Council agreed to fund it on a spend to save basis, with the financing costs funded from lease income. This has delayed the project, however the budget remains unchanged at this stage; design is ongoing and completion is currently anticipated for 2021/22.

11 Capital Approval Process

- 11.1 The Capital Approval Process replaced the existing Capital Gateway process last year, as the governance mechanism for approving new capital projects. The Capital Approval Process has been designed to provide greater assurance around strategic fit, budget estimates and the intended outcomes.
- 11.2 Individual Portfolio Boards are required to lead on projects and actively monitor and manage their progress. The information is brought together and a summary is presented to the Strategic Capital Board on a monthly basis.
- 11.3 The Project Management Office (PMO), in conjunction with Finance, reviews all business cases for surety on process, deliverability, governance and budget availability prior to presentation to the Strategic Capital Board. In addition, the PMO reports to the Board on individual projects and larger approved programmes, and monitors performance against time, budget, cost, quality and outcomes based on the original business case. The report tracks activity to date against the original business plan, forecast to completion, variances to date, risks and issues that may affect achieving the stated outcomes.

12 Conclusions

- 12.1 The report details those projects which have a total budget of greater than £10.0m included within the current capital budget, and provides an update on how the projects have developed over time. A number of these projects were initiated many years ago, and there are clear lessons to be learnt from how they have developed.
- 12.2 As part of the governance arrangements Portfolio Boards have been established across the capital programme to allow service areas to review activity and monitor the projects for which they are responsible. For example, the Asset Management Programme is actively managed and reviewed by the Estates Transformation Board, and the Basic Need programme to deliver new school places is managed by the School's Organisational Strategy Board. All projects are required to be approved by their relevant Portfolio Board before they can be progressed.

- 12.3 The Capital Approval Process has been designed to promote Portfolio Boards reviewing their programmes regularly, to understand how and why budget and delivery changes have occurred. The intention is that this will create a virtuous circle, where lessons learnt on individual projects can be applied to new schemes, both within the portfolio area and across the Council. The changes to the capital monitoring reports to Executive, providing greater detail over activity, will support this.

13 Recommendations

- 13.1 The recommendations appear at the front of this report.

14 Key Policies and Considerations

(a) Equal Opportunities

- 14.1 None in this report.

(b) Risk Management

- 14.2 None in this report.

(c) Legal Considerations

- 14.3 None in this report.

Appendix 1

Current Capital Schemes with Total Approved Budget Greater Than £10m

Project Name	Prior year's spend (Apr 11 - Mar 18)	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	Total	Portfolio Board
	£000								
Highways Programme									
Manchester/Salford Inner Relief Road (MSIRR)	2,240	6,476	5,109	100				13,925	Highways Board
Street Lighting PFI	7,969	11,050	13,731					32,750	
SEMMMS A6 Stockport	19,772	2,962						22,734	
Bus Priority Package - Oxford Road	12,869	215	137					13,221	
Environment Programme									
Waste Contract	5,067	523	5,910					11,500	Waste Performance Board
PIP - Park Events Infrastructure	395	326						721	Leisure Strategy Board
PIP - Unallocated	0	250	10,020	10,298				20,568	
Indoor Leisure - Abraham Moss	203	675	1,709	9,076	5,370	43		17,076	
FA Hubs	0		13,000					13,000	
Corporate Estates Programme									
Asset Management Programme	0	16,166	7,110	7,100	6,690			37,066	Estates Board
Hammerstone Road Depot	38	1,075	6,940	6,940	7			15,000	
Heron House	4,120	14,380						18,500	Heron House Board
Civic Quarter Heat Network	0	15,000	9,000	2,000				26,000	Civic Quarter Heat Network Board

Project Name	Prior year's spend (Apr 11 - Mar 18)	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	Total	Portfolio Board
	£000								
Estates Transformation	0	885	5,005	4,000	2,910			12,800	Estates Board
Estates Transformation - Hulme District Office	286	4,680	234					5,200	
Strategic Acquisitions Programme	0	15,914	3,000	3,000	3,000			24,914	Strategic Acquisitions Board
Development Programme									
The Space Project - Phase 2	14,314	1,085						15,399	MCDA Board
Digital Asset Base - One Central Park	698	9,443	620					10,761	
Sustaining Key Initiatives	0	0	5,200	8,400				13,600	
Eastern Gateway - Central Retail Park	37,038	1,312	2,000					40,350	Eastern Gateway Board
Eastern Gateway - New Slington Marina	91	4,036	1,081	15				5,223	
Northern Gateway	0	15,000	10,000					25,000	Northern Gateway Board
St Peter's Square	22,158	602	400					23,160	City Centre Board
Private Sector Housing Programme									
Disabled Facilities Grant	25,485	7,184	7,929	6,200	6,200			52,998	Housing Board
Redrow Development Phase 2 onward	31,930	300						32,230	
Ben St. Regeneration	2,603	5,574	556	6,877				15,610	
Marginal Viability Fund - New Victoria	0	0	1,827	6,263	1,984			10,074	
Children's Services Programme									
Dean Trust Ardwick	28,211	11						28,222	School's

Project Name	Prior year's spend (Apr 11 - Mar 18)	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	Total	Portfolio Board
	£000								
Lytham Rd	29,658	343						30,001	Organisation Strategy Board
Co-op Academy expansion	15,399	3,471						18,870	
Matthews Lane	4,358	10,267	28,155	1,138				43,918	
Basic need - unallocated funds	0		48,534					48,534	
Schools Capital Maintenance - unallocated	0		5,012	3,000	3,000			11,012	
Corporate Capital Programme									
Our Town Hall refurbishment	0	11,565	26,520	73,198	107,834	68,046	14,230	301,393	Our Town Hall Board
Our Town Hall Direct Costs	3,594							3,594	
Our Town Hall Construction Works	2							2	
Our Town Hall Specialist Work Packages	215							215	
Integrated Working - Gorton Health Hub	0	1,400	10,150	8,627	2,619			22,796	Estates Board/MLCO/MHCC

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