

Manchester City Council Report for Resolution

Report to: Executive – 17 October 2018

Subject: Capital Programme Monitoring 2018/19

Report of: City Treasurer

Summary

This report informs members of:

- (a) Progress against the delivery of the 2018/19 capital programme to the end of September 2018.
- (b) The revised capital budget 2018/19 taking account of changes between the approved capital budget and any further changes occurring in year.
- (c) The latest forecast of expenditure and the major variations since the Capital Programme Outturn report submitted in July 2018.
- (d) The impact any variations may have on the Capital Programme for the period 2018/19 to 2023/24.

Recommendations

The Executive is requested to recommend that Council:

1. Approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix A.

The Executive is requested to:

2. Note that approval of movements and transfers to the full capital programme, including projects on behalf of Greater Manchester, will reflect a revised total capital programme budget of £616.1m and a latest full year forecast of £604.2m. Expenditure to the end of September 2018 is £197.8m.

Manchester City Council Programme

3. Agree that the capital budget be amended to reflect movement in the programme, attributable to approved budget increases and updates to spending profiles.
4. Approve the virements below £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix A.
5. Note that capital resources will be maximised and managed to ensure the capital programme 2018/19 remains fully funded and that no resources are foregone.

6. Note that approval of movements and transfers to the Manchester City Council capital programme will reflect a revised capital programme budget of £474.3m and a latest full year forecast of £471.9m. Expenditure to the end of September 2018 is £154.2m.

Projects carried out on behalf of Greater Manchester

7. Agree that the capital budget be amended to reflect movement in the programme, attributable to approved budget increases and updates to spending profiles.
8. Note that approval of movements and transfers to the Greater Manchester capital programme will reflect a revised capital programme budget of £141.8m against a latest full year forecast of £132.3m. Expenditure to the end of September 2018 is £43.6m.

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 this community strategy, notably the 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	The capital programme includes investment in highways infrastructure, and broadband expansion.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
 - Risk Management
 - Legal Considerations
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Financial Consequences – Revenue

All Revenue consequences are included in the current Revenue Budget.

Financial Consequences – Capital

The latest forecast of expenditure for 2018/19 is £604.2m, compared to a proposed revised budget of £616.1m. Spend to date is £197.8m. The programme is subject to continual review to establish whether the forecast remains achievable. Whilst the intention is for the City Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years.

The Greater Manchester programme is hosted by the City Council, but is managed by the Combined Authority which also monitors the projects. The City Council is currently working with the Greater Manchester Combined Authority (GMCA) to finalise the novation of a number of Housing Investment Fund projects following the granting of the relevant borrowing powers to the CA. This will be reported in further detail once the position is confirmed.

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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 – Capital Programme Update
- Report to the Executive 11th July 2018 – Capital Programme – Capital Programme Update
- Report to the Executive 25th July 2018 – Capital Programme – Capital Programme Monitoring
- Report to the Executive 25th July 2018 – Capital Programme – Capital Programme Update
- Report to the Executive 12th September 2018 – Capital Programme – Capital Programme Update

1 Introduction

1.1 The purpose of the report is to:

- Provide an update to members on the progress of the capital programme in the six months to the end of September 2018.
- Inform members of the latest estimates of capital expenditure for 2018/19 and to show forward commitments into the 2019/20 to 2023/24 capital programme.
- Confirm that there are adequate levels of resources available to finance the capital programme.
- Update members on the projects carried out on behalf of Greater Manchester.

1.2 This report has been redesigned, to provide more information on the activities undertaken in delivering the programme and the risks associated with the works, as well as the financial monitoring and changes required.

1.3 A summary of each part of the programme is included within the report, providing detail on the major projects, issues, and risks for that area. This is presented alongside a summary of the financial position, and any changes to the budget that are required.

1.4 Appendix A details the virements requested across the programme. Appendix B details the revised capital budget for each project, taking into account the virements requested and any re-profiling between years which has been identified.

2 Capital Budget

2.1 The Capital Budget for the period 2018/19 to 2023/24 is currently £1,770.5m. This is an increase of £69.7m compared to the budget reported to Executive as at Quarter 1 2018/19. The profile before the changes proposed in this report, is shown below:

Capital Programme 2018-2024	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total Programme
	£m						
Capital Budget (May 18)	597.0	557.2	240.0	286.1	3.1	0.0	1,683.4
Capital Programme Update (Approved May 18)	3.1	6.5	2.4	0.0	0.0	0.0	12.0
Capital Programme Update (Approved June 18)	2.3	2.0	1.1	0.0	0.0	0.0	5.4
Budget Reprofiting Q1	-28.1	-44.9	73.2	-107.0	75.0	31.9	0.0
Capital Programme Update (Approved July 18)	38.4	18.5	6.1	2.7	0.0	0.0	65.7

Capital Programme Update (Approved September 18)	3.5	0.5	0.0	0.0	0.0	0.0	4.0
Revised Capital Budget (31 July 18)	616.1	539.8	322.8	181.8	78.1	31.9	1,770.5
<i>Of which:</i>							
Manchester City Council Programme	474.3	436.9	292.3	176.7	78.1	31.9	1,490.2
Programme on behalf of Greater Manchester	141.8	102.9	30.5	5.1	0.0	0.0	280.3

2.2 The figures shown above include changes approved since the 2017/18 outturn report by the Executive Member for Finance and Human Resources and the City Treasurer under delegated powers.

3 Capital Programme Forecast 2018/19

3.1 The forecast expenditure for 2018/19 is £604.2m compared to a budget of £616.1m, of this £471.9m relates to City Council schemes compared to the updated budget of £474.3m. The variations, by service area, are shown in the table below:

Capital Programme 2018/19 budget, forecast and spend to date at 30th September 2018

	Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Manchester City Council Programme					
Highways	44.0	41.4	-2.6	12.9	31.2%
Neighbourhoods	17.7	12.6	-5.1	5.4	42.9%
Strategic Development	161.1	169.2	8.1	30.0	17.7%
Town Hall Refurbishment	11.0	11.6	0.6	1.7	14.7%
Housing - GF	30.7	24.8	-5.9	11.1	44.8%
Housing - HRA	24.1	24.4	0.3	5.3	21.7%
Children's Services	46.0	45.2	-0.8	24.1	53.3%
ICT	5.1	8.4	3.3	1.1	13.1%
Corporate Services	134.6	134.3	-0.3	62.6	46.6%
Manchester City Council Programme	474.3	471.9	-2.4	154.2	32.7%
Programme on behalf of Greater Manchester	141.8	132.3	-9.5	43.6	33.0%
TOTAL	616.1	604.2	-11.9	197.8	32.7%
		Reprofiling	-11.8		
		Cost Variations	-0.7		
		Net over (under) spend	0.6		

3.2 There is a forecast capital programme variance of £11.9m between the budget and the latest expenditure forecast. Of this, £11.8m is due to schemes requiring budget re-profiling, made up of £26.0m slippage and £14.2m acceleration, £0.6m is due to potential net overspends against the budget and £0.7m of cost variations. Section 4 of this report looks at the re-profiling required and the cost variations together with the recommended budget changes to take this into account.

3.3 The variation will be closely monitored with the final outturn position being highly dependent on schemes commencing and continuing on schedule and delivering to plan.

4 Highway Services Programme

4.1 The Highways capital programme is forecasting to spend £41.4m compared to a budget of £44.0m, a variance of £2.5m. Spend to date is £12.9m, or 31.2% of the current forecast. The programme is shown in the table below:

Highways	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Highways Planned Maintenance Programme	6.6	14.5	14.1	-0.4	116.1	114.6	-1.5
Manchester/Salford Inner Relief Road (MSIRR)	0.9	6.5	6.5	0.0	13.9	13.9	0.0
Street Lighting PFI	4.0	11.1	11.1	0.0	32.8	32.8	0.0
Mancunian Way and Princess Parkway NPIF	0.1	0.6	0.6	0.0	8.2	8.2	0.0
Other Projects	1.3	11.4	9.2	-2.1	117.4	117.4	0.0
Total Highways	12.9	44.0	41.4	-2.5	288.4	286.9	-1.5
				Reprofiling			-2.5
				Cost Variations			0.0
				Net over (under) spend			0.0

4.2 The schemes within the current Highways portfolio include the highways improvement investment fund, projects to improve and increase the use of cycle routes which relieve congestion and reduce air pollution from CO2 emissions, improvements to pedestrian access in areas in the City, improvements to safety measures and schemes to reduce energy consumption for street lighting.

Activities

4.3 Highways have reported progress across a number of schemes within this period. As part of the Street Lighting PFI, LED installation has been completed in a number of wards. Communications have been issued to residents and businesses regarding the Water Street and Regent Road works

related to the Manchester/Salford Inner Relief Road scheme due to the expected disruption the project will cause. This scheme is now underway. The carriageway surfacing and preventative works programme is finalising drawings in order for works to commence in the next period.

Variances - All Years

4.4 The Highways Asset Surveys project, which is part of the Planned Maintenance Programme, has been assessed as being revenue spend, due to the nature of the surveys required. Approval is being sought for the funding to be switched to revenue and is shown as a nil forecast within the capital programme and a variance of £1.5m is, therefore, reported.

Variances - In Year

4.5 The main variances reported are:

- Drainage works have experienced a small delay in starting the works within the Planned Maintenance Programme for 2018/19. As a consequence, slippage of £0.4m has been forecast into 2019/20;
- Hyde Road Pinch Point Widening scheme has been paused whilst a redesign is being considered to incorporate a Greater Manchester wide cycling proposal resulting in slippage of £1.0m into future years.
- Green Bridge at Airport City has a revised funding claim profile and is awaiting the funding agreement to be signed which indicates slippage of £0.8m into future years.

Risks

4.6 With the nature of the projects in Highways, there are inherent risks around external factors, such as weather conditions, which can hinder the schedule of works. The inspection work on the Bridge Maintenance project may identify remediation requirements that would need to be accelerated.

5 Neighbourhoods Programme

5.1 The Neighbourhoods programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

Neighbourhoods Capital Programme 2018/19 (September 18)

	Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Neighbourhoods					
Environment and Operations	6.8	2.0	-4.8	0.4	20.0%
Leisure	9.8	9.6	-0.2	4.8	50.0%

Libraries	1.1	1.0	-0.1	0.2	18.8%
Total Neighbourhoods	17.7	12.6	-5.1	5.4	42.9%
	Reprofiling		-5.0		
	Cost Variations		0.0		
	Net over (under) spend		-0.1		

Environment and Operations Programme

- 5.2 The Environment and Operations programme is forecasting to spend £2.0m compared to a budget of £6.8m. Spend to date is £0.4m, or 18.5% of the current forecast. The programme is shown in the table below:

Environment and Operations	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Waste Reduction Measures	0.0	1.3	1.3	0.0	4.7	4.7	0.0
Waste Contract	0.3	5.4	0.6	-4.8	11.5	11.5	0.0
Other Projects	0.1	0.1	0.1	0.0	0.9	0.9	0.0
Total Environment	0.4	6.8	2.0	-4.8	17.1	17.1	0.0
	Reprofiling		-4.8				
	Cost Variations		0.0				
	Net over (under) spend		0.0				

- 5.3 The schemes within the Environment and Operations programme are centred on improving the environment with the main focus on the control of waste disposal and promoting recycling.

Activities

- 5.4 The Waste Reduction Measures scheme is to procure 160,000 residual bins with 140 litre capacity to replace the current 240 litre bins to encourage recycling in communal properties and terraced housing. The first delivery of 6,600 bins has been received, for which, costs are yet to be incurred.
- 5.5 The Waste Contract scheme is a loan to Biffa which relates to the purchase of vehicles for use within the waste and street cleansing contract. To date, two vehicles have been purchased. Biffa have now also confirmed they have ordered further vehicles which are due to be delivered by the end of December.

Variations

5.6 The cost of the vehicles purchased and those due to be delivered form the current forecast. The slippage of £4.8m assumes no further vehicles are purchased within this financial year.

Risks

5.7 There is a risk that delivery of the recycling bins may not be concluded by 31 March which may require some minor adjustments to the phasing of the capital budget.

Leisure Programme

5.8 The Leisure programme is forecasting spend of £9.6m compared to a budget of £9.8m, a variance of £0.2m. Spend to date is £4.8m, or 50.0% of the current forecast. The programme is shown in the table below:

Leisure	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Parks Improvement Programme	0.4	2.0	2.0	0.0	29.4	29.4	0.0
Indoor Leisure – Abraham Moss	0.1	0.8	0.6	-0.2	14.8	17.1	2.3
Indoor Leisure – Moss Side	3.7	5.6	5.6	0.0	8.7	8.7	0.0
Other Projects	0.6	1.4	1.4	0.0	38.0	38.0	0.0
Total Leisure	4.8	9.8	9.6	-0.2	90.9	93.2	2.3
			Reprofiling	-0.2			
			Cost Variations	0.0			
			Net over (under) spend	0.0			

5.9 The Leisure Programme provides leisure, sports and park facilities and services to communities across the City to promote health and wellbeing. It includes improvements to energy equipment to reduce consumption to realise economic and environmental benefits. The programme also includes improvements to facilities which are used for events and which may provide an economic benefit.

Activities

5.10 Four submissions were received from the mini competition issued via the North West Construction Hub (NWCH) High Value Framework for the Abraham Moss scheme. A contractor has been appointed

5.11 Moss Side Leisure Centre is in the final stage and is due to complete by November 2018.

5.12 The Velodrome Track project has completed and been handed over to the operator.

5.13 Parks have finalised a cash flow forecast for the Parks Development Programme covering a 2018/19 start with completion in 2024/25 and planning approvals have been received for the Somme Memorial project to be constructed in Heaton Park.

Variations – All Years

5.14 Business cases for the Indoor Leisure – Abraham Moss programme are currently being written to seek approval for additional budget using a safe steps approach which requests funding in an incremental way to ensure cost control at various stages. It is forecast that increased funds of £2.3m are required for works identified to date.

Variations – In Year

5.15 A slight delay in appointment in the contractor has led to a small variance in the 2018/19 forecast for Abraham Moss Leisure Centre. The programme has been reprofiled and a new cost report has been received. Further review is expected within the next period, with particular focus on the Parks Improvement Programme feasibility works, to identify the potential start date.

Risks

5.16 Parks have updated their risk profile to include the ability to secure match funding from external partners including Historic England and Heritage Lottery Fund. This will be monitored by their Programme Board.

Libraries Programme

5.17 The Libraries programme is forecasting spend of £1.0m against a budget of £1.1m. Spend to date is £0.2m, or 18.8% of the current forecast. The programme is shown in the table below:

Libraries	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Open Libraries	0.0	0.7	0.7	0.0	3.0	3.0	0.0
Other Projects	0.2	0.4	0.3	-0.1	0.0	0.0	0.0
Total Libraries	0.2	1.1	1.0	-0.1	3.0	2.9	-0.1
			Reprofiling	0.0			
			Cost Variations	0.0			
			Net over (under) spend	-0.1			

5.18 The library programme seeks to bring up to date accessible technology to communities, provide high quality exhibition areas attracting visitors and residents and create new community meeting spaces.

Activities

5.19 A number of projects within the Libraries programme are progressing and scheduled to complete in October 2018 including the Withington Library refurbishment and a review of the roll out of the Central Library ICT model has been undertaken.

Variances

5.20 The roll out of the Central Library ICT project has identified equipment on a revenue lease basis which will provide an improved specification compared to the planned capital purchase of equipment, therefore, an underspend of £0.1m is expected.

5.21 Risks

5.22 There is a continuous review of the Withington Library project, following delays earlier in the year, to ensure mitigations will enable the scheduled completion date to be met.

6 Strategic Development Programme

6.1 The Strategic Development programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

2018/19 Strategic Development Capital programme (September 18)

	Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Strategic Development					
Culture	16.7	26.3	9.6	9.0	34.2%
Corporate Estates	75.3	73.7	-1.6	16.4	22.3%
Development	69.1	69.2	0.1	4.6	6.7%
Total Strategic Development	161.1	169.2	8.1	30.0	17.7%
		Reprofiling	7.3		
		Cost Variations	0.0		
		Net over (under) spend	0.8		

Culture Programme

6.2 The Culture programme is forecasting to spend £26.3m compared to a budget of £16.7m, a variance of £9.6m. Spend to date is £9.0m or 34.2% of the forecast. The programme is shown in the table below:

Cultural	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
The Factory	9.0	16.7	26.3	9.6	114.1	114.1	0.0
Other Projects	0.0	0.0	0.0	0.0	26.8	26.8	0.0
Total Cultural	9.0	16.7	26.3	9.6	140.9	140.9	0.0
	Reprofiling			9.6			
	Cost Variations			0.0			
	Net over (under) spend			0.0			

- 6.3 The Factory will act as a driver of the next stage of Manchester's and the North's regeneration – with clear cultural, economic, educational and social benefits for the city and the wider region. It will be a new type of venue – one that can commission, produce and present the widest range of opera, dance, theatre, visual arts and popular culture, with an emphasis on new cross-art form collaborations, for a much wider audience than any traditional venue.

Activities

- 6.4 Planning and Listed Building consent for the Factory building design was received in July. Hoardings have been erected on the site with the existing structures currently being demolished. A wider clearance of the site is currently underway while enabling works are being undertaken in line with the programme. The land deal for the car park area has now completed.

Variances – In Year

- 6.5 The variance relates to a re-profiling of the cash flow mainly due to the construction and finalising of the land deal. Acceleration of £9.6m is currently forecast.

Corporate Estates Programme

- 6.6 The Corporate Estates programme is forecasting to spend £73.7m compared to a budget of £75.3m, a variance of £1.6m. Spend to date is £16.4m, or 22.3% of the current forecast. The programme is shown in the table below:

Corporate Estates	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Asset Management Programme	3.4	16.3	16.3	0.0	39.1	39.1	0.0

Strategic Acquisitions Programme	4.9	17.1	17.1	0.0	26.1	26.1	0.0
Hammerstone Road Depot	0.1	1.2	1.0	-0.2	15.0	15.0	0.0
Heron House and Registrars	7.4	15.8	15.8	0.0	19.9	19.9	0.0
Carbon Reduction Programme	0.0	0.1	0.1	0.0	9.9	9.9	0.0
Civic Quarter Heat Network	0.0	15.0	15.0	0.0	26.0	26.0	0.0
Estates Transformation	0.5	5.7	5.5	-0.2	16.0	16.0	0.0
Other Projects	0.1	4.1	3.0	-1.1	5.2	5.2	0.0
Total Corporate Estates	16.4	75.3	73.7	-1.6	157.2	157.2	0.0
			Reprofiling	-1.6			
			Cost Variations	0.0			
			Net over (under) spend	0.0			

6.7 The Corporate Estates programme supports the provision of fit for purpose accommodation for corporate, community and residential use, proactively maintaining and managing the corporate estate which includes reduction of carbon emissions across the estate.

Activities

6.8 The Hammerstone Road Project Board have agreed the requirements and governance structure for the project, a construction partner has been identified for both the Hulme District Office and Alexandra House refurbishment projects with the contractor now on site and the contractor for the Gorton Hub was appointed in August 2018.

Variances – All Years

6.9 All projects within the Corporate Estates programme are within budget, therefore, no variances across all years have been reported.

Variances – In Year

6.10 The Hammerstone Road scheme has experienced a slight delay in the signing of the pre-construction services agreement with the contractor leading to slippage of £0.2m.

6.11 Discussions are ongoing around the possible utilisation of the unallocated element of the Estates Transformation budget for a pipeline project and a minor slippage of £0.2m has been reported.

6.12 The Lincoln Square project timelines have been reviewed and, due to building works in the vicinity, the public realm works have been slipped into future years to the value of £1.2m.

Risks

- 6.13 It should be noted that there are a number of significant elements of the Corporate Estates programme, such as the 2019/20 Strategic Acquisitions programme (£17.1m), which are dependent on negotiations with third parties in order to achieve a successful outcome for projects such as land acquisition. This means that it is possible that the budget could be required to a different forecast than currently anticipated.
- 6.14 There may also be pressure on the Strategic Acquisitions budget as city wide strategies evolve. As such, the programme is currently subject to a detailed review and prioritisation exercise.
- 6.15 The Asset Management Programme profile is under a full review taking into account the planned and pipeline works and the resources available to deliver. Following the review, it is possible that slippage to future years could be required.
- 6.16 The Heron House scheme of works is being revisited which may affect the profile of spend which may result in slippage to 2019/20.

Development Programme

- 6.17 The Development programme is forecasting to spend £69.2m compared to a budget of £69.1m, a variance of £0.1m. Spend to date is £4.6m, or 6.6% of the current forecast. The programme is shown in the table below:

Development	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Digital Asset Base – One Central Park	1.2	7.7	9.5	1.8	9.0	10.8	1.8
Eastern Gateway – Central Retail Park	0.1	1.3	1.3	0.0	40.4	40.4	0.0
Eastern Gateway – New Islington Marina	0.2	4.0	4.0	0.0	5.2	5.2	0.0
Northern Gateway	0.0	15.0	15.0	0.0	25.0	25.0	0.0
City Labs 2	0.0	3.7	3.7	0.0	3.7	3.7	0.0
Airport City Power Infrastructure	2.2	2.4	2.4	0.0	6.0	6.0	0.0
Digital Business Incubators	1.5	3.5	3.5	0.0	4.0	4.0	0.0
Sustaining Key Initiatives	0.0	0.0	0.0	0.0	17.9	17.9	0.0
Manchester College	0.0	26.4	26.4	0.0	36.4	36.4	0.0
Other Projects	-0.5	5.1	3.4	-1.7	89.1	88.1	-1.0
Total Development	4.6	69.1	69.2	0.1	236.7	237.5	0.8

Reprofiling	-0.7
Cost Variations	0.0
Net over (under) spend	0.8

6.18 The Development Programme seeks to provide sustainable growth and transformation of the City, not only to support internal growth but also to retain international competitiveness by promoting opportunities to develop the City's fabric, infrastructure, business and skills base and connecting local communities to employment opportunities.

Activities

6.19 A number of Strategic Development projects will start in this financial year including works in the Medieval Quarter for which planning permission has been submitted and Peterloo Memorial for which a contractor has now been appointed. The grant agreement for the Tech Hub is underway and due to be complete by the end of the financial year.

Variances – All Years

6.20 The Space Project – Phase 2 has completed the Tenant Fit Out element of Space Studios, against which savings of £0.8m have been identified. The final accounts have been received which suggest an overall saving of £1.0m.

6.21 Additional works at One Central Park have been identified and quantified at a cost of £1.8m which is broken down into £1.0m for additional instructions to the construction contract, tenant fit out costs of £0.6m and contributions towards fit out cost of power, data and carpets of £0.2m. A request to increase the budget is expected, with the intention of part funding from the expected savings reported against the Space Project.

Variances – In Year

6.22 New Smithfield Market is conducting a review of the wholesale market and until this is complete, works have been put on hold resulting in slippage of £0.5m.

Risks

6.23 The Eastern Gateway - Central Retail Park may require reprofiling dependant on the scheme of works for the remediation of the site.

7 Our Town Hall Refurbishment

7.1 The Our Town Hall Refurbishment programme is forecasting to spend £11.6m compared to a budget of £11.0m, a variance of £0.6m. Spend to date is £1.7m, or 14.7% of the current forecast. The programme is shown in the table below:

Our Town Hall	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Our Town Hall Refurbishment	1.7	11.0	11.6	0.6	305.2	305.2	0
Total Our Town Hall Refurbishment	1.7	11.0	11.6	0.6	305.2	305.2	0.0
Reprofiling				0.6			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

7.2 The intrusive surveys contract commenced in August with a key focus being on the external surveys required within Albert Square. A planning consultant has been appointed, general areas floor plans have been issued and the Phase 1 Traffic Survey report is being reviewed.

Variances – In Year

7.3 A number of early works have now been detailed by the design team that are greater than originally forecast. Following a number of procurement tenders, there is greater clarity on the forecast for this year and fees have been reviewed in line with the programme. This has resulted in an overall acceleration of £0.6m.

Risks

7.4 Due to the size and nature of the programme, there is an inherent risk of external factors causing delays or cost variations. The project will go through various design stages which may alter the cost projections. The refurbishment spans a number of years and therefore will also be subject to potential variations in inflation assumptions.

8 Housing - General Fund

8.1 The Private Sector Housing programme is forecasting to spend £24.8m compared to a budget of £30.7m, a variance of £5.9m. Spend to date is £11.1m, or 44.9% of the current forecast. The programme is shown in the table below:

Private Sector Housing (General Fund)	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Brunswick PFI Land Assembly	0.9	2.5	2.5	0.0	9.5	9.5	0.0

Disabled Facilities Grant	3.3	7.7	7.2	-0.5	53.0	53.0	0.0
Extra Care	2.0	3.6	3.6	0.0	6.0	6.0	0.0
Ben St Regeneration	3.5	5.9	5.5	-0.4	15.6	15.6	0.0
Marginal Viability Fund – New Victoria	0.0	1.8	0.0	-1.8	10.1	10.1	0.0
Marginal Viability Fund – Bowes Street	0.0	2.4	0.0	-2.4	3.3	3.3	0.0
Other Projects	1.5	6.9	6.1	-0.7	89.3	88.6	-0.7
Total Private Sector Housing (General Fund)	11.1	30.7	24.8	-5.9	186.8	186.1	-0.7
			Reprofiling	-5.2			
			Cost Variations	-0.7			
			Net over (under) spend	0.0			

8.2 The Private Sector Housing programme focuses on providing affordable housing including the facilities, adaptations and community focus required.

Activities

8.3 Within the Brunswick PFI Land Assembly scheme, work has started on the Turkish Centre site. Works have also commenced on the former Stagecoach Depot site in Moss Side for the development of an Extra Care facility and new homes for affordable rent.

8.4 Construction is on schedule for the new community facility in West Gorton.

8.5 The Homelessness programme is currently purchasing properties, in partnership with registered providers, to accommodate homeless families requiring more than four bedrooms. To date, four properties have been purchased. More are currently being sourced, with 20 acquisitions in total being forecast, at a cost of £1.54m which is equivalent to the City Council's contribution of 35%.

8.6 Proposals are currently under development for new build housing in addition to the current programme

Variations – All Years

8.7 Categorized under 'Other Projects' is Miles Platting PFI Land Assembly and Canada Street – Walking With Wounded, with respective underspends of £0.6m in 2018/19 and £0.1m in 2019/20.

Variations – In Year

8.8 The Disabled Facilities Grant allocation was increased in year. The majority of the grant has been assigned, with the remainder being utilised in 2019/20, resulting in slippage of £0.5m.

- 8.9 Marginal Viability Fund - New Victoria has been delayed due to the funds from Homes England for this scheme not being available until 2019/20. Works have been reprofiled leading to slippage of £1.8m.
- 8.10 The approach to the Marginal Viability Fund – Bowes Street scheme is being reviewed which has resulted in slippage of the scheme of £2.4m into future years.
- 8.11 Ben Street Regeneration are anticipating that the acquisition of three properties will not complete until 2019/20 which will delay part of the works. Slippage of £0.4m has been reported.
- 8.12 Categorized under 'Other Projects' is West Gorton Demolition and Commercial Acquisition, an element of the overall Private Sector Housing West Gorton programme. Negotiations to acquire a commercial property are ongoing. The forecast includes slippage of £0.3m

9 Housing Revenue Account (HRA)

- 9.1 The Public Sector Housing (HRA) programme is forecasting to spend £24.4m compared to a budget of £24.1m, a variance of £0.3m. Spend to date is £5.3m, or 21.7% of the current forecast. The programme is shown in the table below:

Public Sector Housing (HRA)	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Northwards	2.1	17.2	17.7	0.5	126.7	126.7	0.0
North Manchester New Builds	3.2	6.6	6.4	-0.2	20.6	20.6	0.0
Other Projects	0.0	0.3	0.3	0.0	46.4	46.4	0.0
Total Public Sector Housing (HRA)	5.3	24.1	24.4	0.3	193.7	193.7	0.0
			Reprofiling	0.3			
			Cost Variations	0.0			
			Net over (under) spend	0.0			

- 9.2 The Public Sector Housing programme seeks to bring the estate up to and maintain Decent Homes standard including statutory health and safety regulations and the reduction of CO2 emissions.

Activities

- 9.3 Contracts have been awarded for the Northwards Sprinkler Programme. Demonstration flats have been established at Hayden Court and Vauxhall Court for tenants to view the system and ask the contractor questions. Further demonstration flats are to be completed.

Variances – In Year

- 9.4 Northwards are providing internal and external capital works across the Public Sector Housing estate. Across the programme in 2018/19 there are small variances leading to acceleration of £0.5m.
- 9.5 The North Manchester New Builds Programme has been reviewed and identified a potential saving against the contingency value of £0.2m, however, this has been slipped into 2019/20 until this has been confirmed.

Risks

- 9.6 The programme is reliant on third parties to deliver the majority of the projects which may create a risk of delays, however, the service is in continuous communication with partners to mitigate these risks.

10 Children's Services

- 10.1 The Children's Services programme is forecasting spend of £45.2m compared to a budget of £46.0m, a variance of £0.8m. Spend to date is £24.1m, or 53.3% of the current forecast. The programme is shown in the table below:

Children's Services	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Basic Need programme	22.1	40.8	40.4	-0.2	299.5	299.5	0.0
School Maintenance programme	1.0	3.2	2.6	-0.6	18.9	18.9	0.0
Other Projects	0.9	2.0	2.2	0.2	5.3	5.6	0.3
Total Children's Services	24.1	46.0	45.2	-0.8	323.7	324.0	0.3
			Reprofiling	-1.0			
			Cost Variations	0.0			
			Net over (under) spend	0.2			

- 10.2 The main focus of the children's services programme is to provide additional school places for children across the City and maintain the school buildings. Ensuring that there is investment in modern, energy efficient and high quality education infrastructure which drives reductions in carbon across the estate of schools, 85% of materials are locally sourced and contractors recycle more than 75% of waste products.

Activities

- 10.3 The School's Maintenance programme's summer works have now been completed with schools reopening for the start of the 2018/19 academic year. St James Primary Academy, Crossacres Primary School and Ringway Primary

School have now been handed over as part of the Education Basic Need Programme.

Variances – All Years

- 10.4 The Healthy Pupil Capital Funding Grant has been received from Education and Skills Funding Agency. This grant is to improve children’s and young people’s physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions. The 2018/19 allocation is for £263k but is yet to be added to the capital programme budget.

Variances – In Year

- 10.5 The Basic Need and Schools Maintenance budgets have been allocated based on the current programme of works. The unallocated element requires slippage to 2019/20 of £0.2m Basic Need and £0.6m Schools Maintenance.
Risks

- 10.6 The Department for Education (DfE) recently announced the Basic Need grant award for 2020/21 and the City Council will not receive any funding. In part this is due to the level of grant funding received in previous years, but it is also a reflection of the significant investment in free schools that the DfE intend to make in the city. The statutory duty to provide places belongs to the City Council and the relationship with the DfE is key in ensuring that the free school places are delivered on time in order that the duty can be met.

11 ICT Capital Programme

- 11.1 The ICT programme is forecasting spend of £8.4m against a budget of £5.1m, a variance of £3.3m. Spend to date is £1.1m, or 12.8% of the current forecast. The programme is shown in the table below:

ICT	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
New Social Care System	0.3	2.0	2.0	0.0	2.7	2.7	0.0
ICT Investment Plan unallocated	0.0	0.3	3.9	3.6	38.4	38.4	0.0
Other Projects	0.8	2.8	2.5	-0.3	34.2	34.2	0.0
Total ICT	1.1	5.1	8.4	3.3	75.3	75.3	0.0
			Reprofiling	3.3			
			Cost Variations	0.0			
			Net over (under) spend	0.0			

- 11.2 The aim of the ICT programme is to reduce key risks, decommission legacy platforms and to create a simpler, more robust, resilient and easier to support

environment. The programme will move towards a modern infrastructure whilst adding business value.

Activities

11.3 Data centre project audits, as part of the Data Centre Programme, are underway in conjunction with the co-location partners for the project. The Public Services Network project is on programme with 14 Win 2003 servers removed by the end of July 2018. The Identity Access Management project is reporting all 2,672 users are now operating Callsign for remote access with the providers Signify system decommissioned in July. The Modern.gov meeting support web based software solution has now gone live for Members with opportunities to implement for officer meetings also being examined. The ONE System is now fully up-to-date for all modules.

Variances – In Year

11.4 The ICT Investment Plan forecast includes pipeline projects where this can be quantified. Based on the expected projects to take place in the current year, acceleration is required to the value of £3.6m.

11.5 Other projects have realised savings, for which, a virement of the funds back into the investment pot is requested.

Risks

11.6 ICT projects are often interdependent which can lead to adjustments to the schedule of activity should changes occur in a particular project.

12 Corporate Services Programme

12.1 The Corporate Services programme is forecasting spend of £134.3m compared to a budget of £134.6m, a variance of £0.3m. Spend to date is £62.3m, or 46.4% of the current forecast. The programme is shown in the table below:

Corporate Services	18/19 Spend to Date £m	18/19 Budget £m	18/19 Forecast £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Integrated Working – Gorton Health Hub	0.2	1.4	1.4	0.0	22.8	22.8	0.0
Airport Strategic Investment	62.1	125.0	125.0	0.0	125.0	125.0	0.0
Other Projects	0.2	8.2	7.9	-0.3	26.3	24.8	-1.5
Total Corporate Services	62.3	134.6	134.3	-0.3	174.1	172.6	-1.5
			Reprofiling	0.0			
			Cost Variations	0.0			
			Net over (under) spend	-0.3			

- 12.2 Included in the Corporate Services programme is Gorton Health Hub which will bring together key organisations responsible for tackling worklessness and low skills. This will have a positive impact providing new opportunities for local residents and will contribute to sustainable economic growth by replacing a number of old, poorly maintained and high carbon producing buildings into a more modern, energy efficient purpose built building.

Variances – All Years

- 12.3 The capitalisation of community equipment has previously been funded via revenue, however, the service are proposing to utilise the Disabled Facilities Grant for this project for the foreseeable future, leading to an underspend of £1.5m across all years which may be released in the future.

Variances – In Year

- 12.4 The variance is the 2018/19 value of the capitalisation of the community equipment budget which will not be spent as noted in 12.3.

Risks

- 12.5 The schemes noted in the table are the large projects within the Corporate Services programme. Due to the size and nature of the schemes, there is a risk of external factors causing delays.

13 Projects carried out on behalf of Greater Manchester

- 13.1 The Greater Manchester programme is forecasting to spend £132.3m against a budget of £141.8m, a variance of £9.5m. Spend to date is £43.6m, or 32.9% of the current forecast.
- 13.2 The profiling of pipeline Housing Investment Fund loans has been reviewed, leading to slippage of £9.5m into future years.
- 13.3 It is anticipated that the Housing Investment Fund will novate to the Greater Manchester Combined Authority. The Council will retain a number of loans which cannot easily be novated and the Combined Authority will provide loan finance to offset these assets and provide a guarantee against any losses. The exact number and value of loans retained will be reported once the detail of the novation is completed.

14 Capital Programme Re-phasing and Variations 2018/19 to 2023/24

- 14.1 Based on the monitoring information above, it is proposed that the capital programme budget is re-phased to reflect the planned delivery of projects in 2018/19 to 2023/24. The cumulative impact of these adjustments are shown in the table below:

Proposed Capital Programme variations 2018/19 to 2023/24

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total Programme £m
Revised Capital Budget (September 18)	616.1	539.8	322.8	181.8	78.1	31.9	1,770.5
Forecast Re-profile	-11.7	-5.8	14.0	20.6	-6.9	-10.2	0.0
Cost Variations	-0.7	0.0	0.0	0.0	0.0	0.0	-0.7
Proposed Capital Budget (September 18)	603.7	534.0	336.8	202.4	71.2	21.7	1,769.8
<i>Of which:</i>							
Manchester City Council Programme	471.4	415.3	307.5	202.4	71.2	21.7	1,489.5
Programme on behalf of Greater Manchester	132.3	118.7	29.3	0.0	0.0	0.0	280.3

14.2 Further details regarding the proposed adjustments to the programme are given below.

Budget re-profiling:

14.3 As highlighted in section 3 of this report, various schemes throughout the capital programme are now forecast to be accelerated into 2018/19, or delayed until 2019/20 or future years. The budgets for these projects will be re-profiled to reflect the changes, and the revised budget profiles are shown at Appendix B.

Virements

14.4 Various schemes across the programme require virements in 2018/19 and 2019/20, as shown in Appendix A. Virements may be required as cost variations from the original design work occur, or because the method of delivery has changed and projects are combined or split. The reasons for the required virements are:

- ICT - to rationalise unallocated funds across all projects
- Housing Revenue Account – for cost variations across various schemes and;
- Children’s Services – virements are required for cost variations on Basic Need and Maintenance schemes.

14.5 The Council is recommended to approve virements over £0.5m within the capital programme as outlined in Appendix A.

14.6 The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in Appendix A.

- 14.7 The capital programme is undergoing continuous review to analyse and challenge the current approved spending profiles and updates will be reported to the Executive in the next capital monitoring report for 2018/19.
- 14.8 The revised capital budget is reflected in revised prudential indicators, which are reported as part of the Global Revenue Budget Report to Executive.

15 Social Value

- 15.1 All capital business cases are required to provide information on social value impact likely to be generated as part of the scheme. These include details of employment of local residents, training of local residents, improvements in key health outcomes, support of community cohesion, improvement in key education outcomes, help to other excluded groups and promoting environmental sustainability. These are considered as part of the scheme approval process via the Checkpoint system. Work is on-going as part of improving overall contract monitoring to review the monitoring of these activities.

16 Capital Resources

- 16.1 The capital programme is reviewed on an ongoing basis to confirm the capital resources required to finance 2018/19 capital spend are in place and the future years programme is fully funded. Work will continue to ensure that resources required to finance the capital programme are secured and the level of prudential borrowing remains affordable.
- 16.2 The table below summarises the current funding assumptions, although this will be reviewed during the year to ensure that the optimum value for money is being achieved through the programme:

Draft funding position for 2018/19 Capital Programme:

	Draft Funding £m
Grants	80.8
Contributions	20.7
Capital Receipts	167.1
Revenue Contribution to Capital	26.3
Capital Fund	12.0
Borrowing	297.3
Total	604.2

- 16.3 The City Treasurer will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the City Council.

16.4 The requirements of the capital programme over the next five years are significant and both spend and funding streams will require close monitoring, particularly with the level of uncertainty for future funding allocations.

17 Key Polices and Considerations

(a) Equal Opportunities

By investing in building adaptations, access for people with mobility difficulties is made easier.

(b) Risk Management

As a result of the national economic downturn the amount of usable capital receipts included in the resources calculation for the original capital budget is no longer achievable. In response to these circumstances the City Treasurer instigated a review of the whole capital programme in order to establish the most efficient and effective way to fund the programme. The review will be ongoing.

(c) Legal Considerations

None