

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

**Report to:** Executive – 20 January 2021

**Subject:** Capital Programme Update

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

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### **Summary**

This report informs members of requests to increase the capital programme, seeks approval for those schemes that can be approved under authority delegated to the Executive and asks the Executive to recommend to the City Council proposals that require specific Council approval.

### **Recommendations**

1. To recommend that the Council approve the following changes to Manchester City Council's capital programme:
  - (a) ICT – End User Devices. A capital budget virement of £3.615m is requested, funded by Unallocated ICT Investment Budget.
  - (b) Children's Services – Our Lady's RC High School – Permanent. A capital budget virement of £2.4m is requested, funded by Unallocated Education Basic Needs Grant Budget.
  - (c) ICT – Network Refresh Programme. A capital budget virement of £3m is requested, funded by Unallocated ICT Investment Budget.
2. Under powers delegated to the Executive, to approve the following changes to the City Council's capital programme:
  - (d) Children's Services - Special Capital Fund – Grange School Expansion. A capital budget virement of £0.195m is requested, funded by Unallocated Special Education Needs Grant.
  - (e) Highways Services – Northern Eastern Gateway Walking and Cycling Scheme Accelerated Works. A capital budget increase of £1.746m is requested, funded by External Contribution.
  - (f) Highways Services – Manchester Cycleway Early Works. A capital budget increase of £0.450m is requested, funded by External Contribution.
  - (g) ICT - Resident and Business Digital Experience Platform Additional Funding. A capital budget decrease of £0.054m is requested and approval of a corresponding transfer of £0.054m to the revenue budget, funded by capital fund.

3. To approve Highways funding strategy to progress accelerated works
4. To note increases to the programme of £2.060m as a result of delegated approvals.
5. To note update on Public Sector Decarbonisation Scheme Bid
6. To note update on Medieval Quarter and Glade of Light Memorial project
7. To note update on The Factory Cultural Recovery Fund Grant

**Wards Affected** - Various

<b>Environmental Impact Assessment</b> - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

<b>Our Manchester Strategy outcomes</b>	<b>Contribution to the strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Contributions to various areas of the economy including investment in ICT services, Housing, and leisure facilities.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Investment 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	Improvements to services delivered to communities and enhanced ICT services.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in cultural and leisure services and housing.
A connected city: world class infrastructure and connectivity to drive growth	Through investment in 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 recommendations in this report, if approved, will increase the revenue budget by £0.054m as a one-time transfer, funded from a corresponding decrease in the capital budget.

## **Financial Consequences – Capital**

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £2.142m across the financial years as detailed in Appendix 1.

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### **Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

Report to the Executive 12<sup>th</sup> February 2020 – Capital Strategy and Budget 2019/20 to 2023/24

Report to the Executive 11<sup>th</sup> March 2020 - Capital Programme Update

Report to the Executive 3<sup>rd</sup> June 2020 – Capital Programme Update

Report to the Executive 3<sup>rd</sup> July 2020 – Capital Programme Update

Report to the Executive 29<sup>th</sup> July 2020 - Capital Programme Update and Capital Budget Monitoring 2020/21

Report to the Executive 9<sup>th</sup> September 2020 – Capital Programme Update

Report to the Executive 14<sup>th</sup> October 2020 - Capital Programme Update and Capital Budget Monitoring 2020/21

Report to the Executive 11<sup>th</sup> November 2020 – Capital Programme Update Report

## **1.0 Introduction**

1.1 This report outlines the requests for changes to the capital budget from 2020/21.

## **2.0 Background**

2.1 In February each year the Executive receives a report on the capital budget for the forthcoming five financial years and approves a series of recommendations to the City Council which then constitute the approval of the five-year capital programme. Proposals for the capital budget were presented to the Executive on 12<sup>th</sup> February 2020.

2.2 The capital programme evolves throughout the financial year, and as new projects are developed, they will be reviewed under the current governance framework and recommendations made regarding whether they should be pursued.

2.3 The following requests for a change to the programme have been received since the previous report to the Executive on 11th November 2020.

2.4 Note that where requests are made in the report to switch funding from capital to revenue and to fund the revenue spend from the Capital Fund, this is a funding switch from within the capital programme and will not have a negative impact on the Fund itself.

2.5 For the changes requested below, the profile of the increase, decrease or virement is shown in Appendix 1 for each of the projects.

## **3.0 City Council's Proposals Requiring Specific Council Approval**

3.1 The proposals which require Council approval are those which are funded by the use of reserves above a cumulative total of £2.0m, where the use of borrowing is required or a virement exceeds £0.500m. The following proposals require Council approval for changes to the capital programme:

3.2 ICT – End User Devices. The project will deliver ICT equipment to ensure Manchester City Council employees and Members are allocated end-user devices to meet the needs of their roles, replacing equipment that currently does not support the functionality that everyone requires to work effectively. A substantial amount of equipment that is past end of life and longer meets our needs including WYSE Terminals (3000+) will be replaced, supporting flexible working, as well as delivering better asset management and moving to a centralised process for distribution and replacement of equipment. Where the equipment is of a suitable specification it will be reused within MCC however if not, it will be sent for recycling to an accredited recycling company.

3.3 The new devices will maximise the benefits of the Microsoft 365 migration, new telephony and will support future new technologies that rely on a web browser to deliver application functionality. A capital budget virement of

£2.888m in 2021/22 and £0.727m in 2022/23 is requested, funded by Unallocated ICT Investment Budget.

- 3.4 Children's Services – Our Lady's RC High School – Permanent. Works and investment have been identified to increase the school's capacity from a 5FE (Form Entry) to a 6FE school for September 2022. This project is in response to ongoing growth in demand for secondary places in north Manchester. A capital budget virement of £0.100m in 2020/21, £1.800m in 2021/22 and £0.500m in 2022/23 is requested, funded by Unallocated Education Basic Needs Grant Budget.
- 3.5 ICT – Network Refresh Programme. The Programme aims to upgrade the network services that underpin every ICT service and digital technology used by the Council. Upon completion, the programme will provide a suite of network solutions and services that can be scaled up/down with minimum costs to adapt to future changes in the way we use our buildings, supporting other key initiatives such as the End User Device (EUD) strategy, that are reliant on the replacement of legacy network technologies. This programme is a fundamental step in the Council's ability to support Our Ways of Working and the future rollout of technology to support a more flexible workforce post COVID19.
- 3.6 The two component projects that make up the Network Refresh Programme are the delivery of a new, scalable Wide Area Network (WAN) that delivers adequate and appropriate bandwidth to all sites, and the physical replacement of communications room hardware, and deployment of corporate and public Wi-Fi across the operational estate. Potential grant funding from the Department for Digital, Culture, Media and Sports (DCMS), has resulted in a change to the delivery of this programme and delivery of the new WAN will now precede other activities associated with the programme, in alignment with the deadlines for securing the DCMS grant funding.
- 3.7 Competitive procurement exercises have been undertaken for both component projects of the Network Refresh Programme, and a contract award report for the delivery of the new WAN approved. This additional funding will facilitate the contract award for the physical replacement of communications room hardware and deployment of Wi-Fi. A capital budget virement of £3m in 2021/22 is requested, funded by Unallocated ICT Investment Budget.

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

- 4.1 The proposals which do not require Council approval and only require Executive approval are those which are funded by the use of external resources, use of capital receipts, use of reserves below £2.0m, where the proposal can be funded from existing revenue budgets or where the use of borrowing on a spend to save basis is required. The following proposals require Executive approval for changes to the City Council's capital programme:

- 4.2 Children's Services - Special Capital Fund – Grange School Expansion. This project will increase the capacity of Grange School from 190 to 220 places for SEND pupils aged 4-19 with an Education, Health, and Care Plan (EHCP) and is part of the Council's ongoing response to rising demand for school places. A capital budget virement of £0.195m is requested, funded by Unallocated Special Education Needs grant.
- 4.3 Highways Services – Northern Eastern Gateway Walking and Cycling Scheme Accelerated Works. The overall scheme will create a continuous east-west walking and cycling route, linking neighbourhoods in the north and east city centre fringe. Connecting the neighbourhoods of Ancoats, New Islington, New Cross, New Town, Redbank, and the Green Quarter, linking the New Islington Metrolink with the proposed M62 Express Bus Corridor and improving walking and cycling access to the city centre and key public transport nodes. Works will include segregation of pedestrians and vehicles, including the extension of existing footways where appropriate and modal filtering in the form of physical barriers and signage.
- 4.4 This initial accelerated works phase will start at Pollard street and run through Ancoats/New Cross to Cheetham Hill Road and will include a full junction improvement of the Pollard street/Great Ancoats street junction. This links to the Great Ancoats Street works due to finish in early 2020. Cycle infrastructure was not included in the Great Ancoats Street Project as this scheme was seen as complimentary with less impact on traffic. By progressing early works, this will provide the cycling infrastructure needed along the route. The overall scheme has been given programme entry approval by Mayors Challenge Fund, full funding will be agreed based on the business case, see funding strategy in section 5.0. A capital budget increase of £0.437m in 2020/21 and £1.309m in 2021/22 is requested, funded by External Contribution.
- 4.5 Highways Services - Manchester Cycleway Early Works. The scheme will provide upgraded pedestrian and cycle facilities along the Fallowfield Loop route with improvements from a safety, access, lighting and ecological perspective. The early works provide an opportunity to demonstrate a joined up, programme approach by making improvements where the route crosses the Hyde Road widening project due to complete in January 2021. The overall scheme has been given programme entry approval by Mayors Challenge Fund, full funding will be agreed based on the business case, see funding strategy in section 5.0. A capital budget increase of £0.450m in 2020/21 is requested, funded by External Contribution.
- 4.6 ICT - Resident and Business Digital Experience Platform Additional Funding. As part of the future Council initiative, the Resident and Business Digital Experience programme will transform the digital experience and customer journey that is offered to residents and businesses of Manchester City Council. To establish that programme, Manchester City Council are currently working with a partner to undertake a series of discovery sessions and a technology review to help establish a blueprint, programme plan and a business case to progress.

4.7 The engagement sessions with the business, members and residents have started and there has been a positive uptake, exceeding initial expectations from every area. Therefore, the Senior Responsible owner in conjunction with the Project Board and Team are recommending that the project is extended by a further 4 weeks and therefore requesting this additional funding. This will accommodate further engagement sessions and to enable our partner to document their findings in a timely manner which will inform the blueprint, programme plan and the business case. A capital budget decrease of £0.054m is requested and approval of a corresponding transfer of £0.054m to the revenue budget, funded by capital fund.

## **5.0 Funding strategy to progress Mayor's Challenge Fund (MCF) accelerated works**

5.1 In March 2018, the Greater Manchester Combined Authority (GMCA) approved an allocation of £160 million from the Transforming Cities Fund (TCF) to the Mayor's Cycling and Walking Challenge Fund (MCF), with the Fund receiving an allocation of £10 million in 2018/19 and £50 million per annum thereafter for three years (2019/20-2021/22). The Fund is to support the delivery of infrastructure in line with the proposals in the Cycling and Walking Commissioner's Made to Move report and the emerging 'Streets for All' Strategy. Manchester currently has approval from TfGM for programme entry for 9 schemes with an estimated value of circa £50m.

5.2 Although programme entry secures project funding while proposals are developed, the MCF process requires approvals at numerous scheme development milestones. This approval process extends project programmes, especially for larger and more complex schemes with budgets over £5m which require outline and full MCF business case approval. The Highways capital programme has a number of associated benefits whereby interdependencies exist between MCF and other Highways' schemes or deliverables are key to achieving priority outcomes for residents or businesses. Examples of this include supporting the economic recovery post lockdown through permanent infrastructure to enable tables and chairs to be located in the public realm in the Northern Quarter or ensuring works in the Northern Eastern Gateway and Manchester Cycleway tie in with the completion of the Great Ancoats Scheme and Hyde Road Scheme, respectively. To achieve these broader programme outcomes and benefits, approval is sought to cash flow early works for MCF schemes for spend in 2020/21 through use of Borrowing via the Highways Development Fund. The Development Fund will be reimbursed from the MCF as funding is claimed. There is little or no risk identified through this approach to either the Highways Development Fund or access to MCF funding allocated to Manchester.

## **6.0 Delegated budget Approvals**

6.1 There have been increases to the programme totalling £2.060m as a result of delegated approvals since the previous report to the Executive on 11<sup>th</sup> November 2020. These are detailed at Appendix 2.

## **7.0 Update on Public Sector Decarbonisation Scheme Bid**

- 7.1 In July 2020 the Chancellor announced £1bn of grant funding would be made available as part of a range of measures to support economic recovery in response to COVID-19 for investment in decarbonisation of public estates.
- 7.2 The Public Sector Decarbonisation Scheme is focused on energy efficiency in public buildings and in particular measures which decarbonise heat. The programme had short timescales for bidding (opened mid-October 2020 and closes early January 2021) and requires bidders to fully complete their programmes (all purchases and installations complete and fully spent) by end of September 2021. These are extremely challenging timescales, but this funding offers the chance for significant investment in the Council's estate of a kind that would not be able to be funded without this type of grant funding support.
- 7.3 With the support of the City Council's Economic Recovery Group (chaired by the Leader) and Zero Carbon Co-ordination Group, MCC agreed to join a Greater Manchester Combined Authority (GMCA) bid to the scheme, on the basis that a larger single bid would be more attractive to Government and Salix (the body delegated to allocate and manage the funding on behalf of BEIS). The total combined Greater Manchester (GM) bid collated by GMCA was submitted on 23rd November including 15 GM partners for a total value £80.7m. The MCC bid totalled £22.9m, with a projected carbon saving of 2,303 tCO<sub>2</sub>e per annum. The MCC bid was developed with our energy services partner Ameresco and covers 13 buildings.

## **8.0 Medieval Quarter and Glade of Light Memorial**

- 8.1 In 2018 £2m was approved to deliver the initial phase of public realm investment within the Medieval Quarter supporting the masterplan by Simpson Haugh that was submitted in 2016, a landscaping scheme was approved in 2019. This scheme was put on hold as the location was considered appropriate for the May 2017 Arena bomb attack memorial and, after consultation, the Medieval Quarter was selected as the location of the memorial. The Glade of Light memorial has become a new addition to the landscaping scheme and has now been integrated into the masterplan. The Glade of Light is located at the centre of a new river park public space and will add to the series of green spaces in the city centre and a place of remembrance.
- 8.2 External funding has been secured for the scheme and £1.137m has been approved for work to be completed by November 2021.

## **9.0 Update on The Factory Cultural Recovery Fund Grant**

- 9.1 The City Council has been successful in its application to the Cultural Capital Kickstart Fund for the Factory Project, the application was for £21m, as detailed in the Report to Executive on the 14 October and to Council on the 28 October 2020. The fund is to support existing Arts Council capital projects to

assist with the impact of COVID-19 on projects due to increased capital costs. The grant must relate to expenditure between January and April 2020.

## **10.0 Prudential Performance Indicators**

- 10.1 If the recommendations in this report are approved the General Fund capital budget will increase by £2.142m, across financial years as detailed in Appendix 1.
- 10.2 This will also result in an increase in the prudential indicator for Capital Expenditure in corresponding years. Monitoring of all prudential indicators is included within the Capital Monitoring Report during the year.
- 10.3 There is an increase in the requirement for prudential borrowing, however, this has already been assumed within the City Council's revenue budget and therefore there is no impact on the City's Council Tax.

## **11.0 Contributing to a Zero-Carbon City**

- 11.1 All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

## **12.0 Contributing to the Our Manchester Strategy**

### **(a) A thriving and sustainable city**

- 12.1 Contributions to various areas of the economy including investment in ICT services, housing, and leisure facilities.

### **(b) A highly skilled city**

- 12.2 Investment provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.

### **(c) A progressive and equitable city**

- 12.3 Improvements to services delivered to communities and enhanced ICT services.

### **(d) A liveable and low carbon city**

- 12.4 Investment in cultural and leisure services and housing.

### **(e) A connected city**

- 12.5 Through investment in ICT and the City's infrastructure of road networks and other travel routes.

## **13.0 Key Policies and Considerations**

### **(a) Equal Opportunities**

13.1 None.

### **(b) Risk Management**

13.2 Risk management forms a key part of the governance process for all capital schemes. Risks will be managed on an ongoing and project-by-project basis, with wider programme risks also considered.

### **(c) Legal Considerations**

13.3 None.

## **14.0 Conclusions**

14.1 The Capital budget of the City Council will increase by £2.142m, if the recommendations in this report are approved.

14.2 The revenue budget of the City Council will increase by £0.054m, funded from a corresponding decrease in the capital budget via Capital fund, if the recommendations in this report are approved.

## **15.0 Recommendations**

15.1 The recommendations appear at the front of this report

## Appendix 1 - Requests for Adjustments to the Capital Budget Provision

Dept	Scheme	Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future £'000	Total £'000
<b>Council Approval Requests</b>							
ICT	End User Devices	Borrowing		2,888	727		3,615
ICT	ICT Investment Budget	Borrowing		- 2,888	- 727		- 3,615
Children's Services	Our Lady's RC High School – Permanent	Government Grant	100	1,800	500		2,400
Children's Services	Education Basic Need Grant Unallocated	Government Grant	- 100	- 1,800	- 500		- 2,400
ICT	Network Refresh Project	Borrowing		3,000			3,000
ICT	ICT Investment Budget	Borrowing		- 3,000			- 3,000
<b>Total Council Approval Requests</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Executive Approval Requests</b>							
Children's Services	Special Capital Fund – Grange School	Government Grant	195				195
Children's Services	Special Educational Needs grant	Government Grant	- 195				- 195
Highways Services	Northern Eastern Gateway Walking and Cycling	External Contribution	437	1,309			1,746
Highways Services	Manchester Cycleway Early Works	External Contribution	450				450
ICT	Resident and Business Digital Experience Platform Additional Funding	Borrowing reduction, funding switch via Capital Fund	- 54				- 54
<b>Total Executive Approval Requests</b>			<b>833</b>	<b>1,309</b>	<b>0</b>	<b>0</b>	<b>2,142</b>
<b>Total Budget Adjustment Approvals</b>			<b>833</b>	<b>1,309</b>	<b>0</b>	<b>0</b>	<b>2,142</b>

## Appendix 2 - Approvals under authority delegated to the City Treasurer

Dept	Scheme	Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future £'000	Total £'000
Private Sector Housing	Green Homes Grant	Government Grant	500				500
Highways Services	Emergency Active Travel Fund T2 Development Costs	External Contribution	160	40			200
Highways Services	Auto Bollards Additional Funding	RCCO	132				132
Highways Services	Bee Network Junctions & Crossings Development Costs	External Contribution	53				53
Highways Services	TFGM Bus Stop Enhancements - Development	External Contribution	38				38
Growth & Development	Medieval Quarter and Glade of Light Memorial	External Contribution		500			500
Growth & Development	Medieval Quarter and Glade of Light Memorial	External Contribution - S106		437			437
Growth & Development	Medieval Quarter and Glade of Light Memorial	Capital Receipts		200			200
<b>Total Delegated Approval Requests</b>			<b>883</b>	<b>1,177</b>	<b>0</b>	<b>0</b>	<b>2,060</b>