

**Manchester City Council
Report for Resolution**

Report to: Executive – 15 September 2021

Subject: Capital Programme Update

Report of: Deputy Chief Executive and City Treasurer

Summary

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

Recommendations

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

- Children's Services - Manchester Creative Media Arts Academy Completion Works. A capital budget increase of £0.661m is requested, funded by Borrowing.
- Growth and Development - Manchester Equipment and Adaptations Partnership (MEAP) Relocation. A capital budget virement of £2.025m is requested, funded by the Asset Management Programme budget.

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

- Private Sector Housing – Rough Sleepers Accommodation Programme (RSAP) Property Acquisitions. A capital budget increase of £3m is requested, funded by £1.350m Government Grant and £1.650m Capital receipts

Executive is also asked to note:

- The update on Public Sector Decarbonisation Scheme additional works and approve the funding strategy.
 - The increases to the programme of £0.320m as a result of delegated approvals.
 - The virements in the programme of £0.960m as a result of virements from approved budgets
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Wards Affected - Various

Environmental Impact Assessment - 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.

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Contributions to various areas of the economy including investment in ICT services, Housing, and leisure facilities.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Investment 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 not impact the Council's revenue budget.

Financial Consequences – Capital

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £3.661m 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 17th February 2021 – Capital Strategy and Budget 2020/21 to 2024/25

Report to the Executive 17th March 2021 - Capital Programme Update

Report to the Executive 2nd June 2021 – Capital Programme Update

Report to the Executive 30th June 2021 – Capital Programme Update and Capital Programme Monitoring 2020/21 Outturn

Report to the Executive 28th July 2021 – Capital Programme Update

1.0 Introduction

- 1.1 This report outlines the requests for changes to the capital budget from 2021/22.

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 17th February 2021.
- 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 28th July 2021.
- 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 Children's Services - Manchester Creative Media Arts Academy Completion Works. Manchester Creative Media Arts Academy (MCMA) was constructed in 2012 as part of the Building Schools for the Future (BSF) programme. There were numerous outstanding issues at completion and despite there being no contractual mechanism for retention an amount was deducted from the final payment to encourage the contractor to complete these works. It has taken several years of intense negotiations to achieve a suitable design and to achieve physical completion of the outstanding works and within this time period all BSF projects were closed and budgets disbanded with no final provision made for the uncertain outstanding amount. The contractor is nearing completion of the outstanding works and has therefore now requested payment of the outstanding amount. A capital budget increase of £0.661m is requested, funded by Borrowing.

- 3.3 Growth and Development - Manchester Equipment and Adaptations Partnership (MEAP) Relocation. The site identified for relocation of MEAP from Poland Street will enable vacant possession of Poland Street which is required for development as a Mobility Hub. This is a key component in the further sustainable development of the back of Ancoats area aligning with the strategic objectives of the City Centre Transport Strategy for 2040 and the Ancoats and New Islington Neighbourhood Development Framework.
- 3.4 The relocation will allow the service to consolidate their operation from Poland Street, Tulketh Street and Fulmead, providing them with a fit for purpose operational property and the space for a Smart House which is pivotal to the Prevention and Early Intervention Agenda. The building works are required to make the property fully accessible and internal fit out to support the operational needs of the service. The consolidation of the service will generate income by providing an opportunity for a commercial rent to be achieved from Tulketh Street and a capital receipt to be sought for Fulmead. This will contribute to the rationalisation of the corporate estate. A capital budget virement of £2.025m is requested, funded by the Asset Management Programme 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 Private Sector Housing – Rough Sleepers Accommodation Programme (RSAP) Property Acquisitions. Last July the Government announced the Next Steps Accommodation Programme (NSAP) which made financial resources available to support local authorities and their partners to provide move-on homes, to prevent homeless people housed in emergency accommodation during the Covid-19 pandemic from returning to the streets. A further phase, Rough Sleepers Accommodation Programme (RSAP) was announced earlier in the year, this time targeting support at people with a history of rough sleeping. The Council has been successful in securing grant funding of £1.35m to acquire 20 1bed flats to support 20 rough sleepers and people living in emergency accommodation to move-on to new homes. A capital budget increase of £3m is requested, funded by £1.350m Government Grant and £1.650m Capital receipts.

5.0 Update on Public Sector Decarbonisation Scheme

- 5.1 Detailed designs for the PSDS (Public Sector Decarbonisation Scheme) funded works are currently being developed, early indications are that the programme will come in underbudget although the final position will not be confirmed until designs complete and cost plans are finalised in late September 21. In anticipation of an underspend on the PSDS budget, the programme has been

working on a pipeline of additional projects that could delivered rather than returning funds unspent.

- 5.2 To be eligible for PSDS all works must complete by March 2022, therefore any additional projects will need to be commissioned imminently if they are to meet this deadline. This means commissioning projects in advance of a) confirmation of the total level of underspend and b) securing approval from the Greater Manchester Combined Authority as the funding provider to utilise the underspend and fulfil the grant. The programme is requesting approval to commission up to £2m of additional energy efficiency works, to be funded by prudential borrowing from the approved Carbon Reduction Programme budget in the event PSDS underspend is not available or approved. The buildings in scope and the technologies to be deployed (LED Lighting & Building Management System upgrades) would be included in any future work programme, so this approval would be an early draw down against the previously budgeted £15m for energy efficiency works between 2022 and 2025.

6.0 Delegated budget Approvals

- 6.1 There have been increases to the programme totalling £0.320m as a result of delegated approvals since the previous report to the Executive on 17th March 2021. These are detailed at Appendix 2.

7.0 Virements from Approved Budgets

- 7.1 Approval has been given for a capital budget virement from the Parks Development Programme budget totalling £0.960m for the Parks In Partnership Scheme. This project will carry out improvement works to Manchester's parks and green spaces, across 32 wards, that raise standards and sustainability within parks, whilst widening participation, access and inclusivity, for example by enhancing play facilities, park furniture or signage. The Parks in Partnership funding will see the allocation of up to £30,000 per ward and will be rolled out in the 2021/22 financial year through two rounds of funding.

8.0 Prudential Performance Indicators

- 8.1 If the recommendations in this report are approved the General Fund capital budget will increase by £3.661m across financial years, as detailed in Appendix 1.
- 8.2 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.

9.0 Contributing to a Zero-Carbon City

- 9.1 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.

10.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

- 10.2 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

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

(d) A liveable and low carbon city

- 10.4 Investment in cultural and leisure services and housing.

(e) A connected city

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

11.0 Key Policies and Considerations

(a) Equal Opportunities

- 11.1 None.

(b) Risk Management

- 11.2 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

- 11.3 None.

12.0 Conclusions

- 12.1 The revenue budget of the City Council will not be impacted if the recommendations in this report are approved.

- 12.2 The capital budget of the City Council will increase by £3.661m, if the recommendations in this report are approved.

13.0 Recommendations

13.1 The recommendations appear at the front of this report.