

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

**Report to:** Executive – 19 January 2022

**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**

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

- Neighbourhoods – Beswick Hub RFL. A capital budget increase of £2.577m is requested, funded by Waterfall Fund.
- ICT – EYEs Phase 2. A capital budget decrease of £1.352m is requested funded from borrowing along with a corresponding revenue budget increase of £1.352m funded from Capital Fund.

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

- Highways Services – Levenshulme Burnage Active Neighbourhood. A capital budget increase of £3.586m is requested, funded by External Contribution.
- ICT – Ransomware Protection. A capital budget decrease of £0.383m is requested and approval of a corresponding transfer of £0.383m to the revenue budget, funded by Capital Fund
- ICT - VEPS RPA (Verify Earnings and Pensions Service Robotic Process Automation). A capital budget decrease of £0.047m is requested and approval of a corresponding transfer of £0.047m to the revenue budget, funded by Capital Fund

Executive is also asked to note:

- The increases to the programme of £0.599m as a result of delegated approvals.
- The virements in the programme of £4.867m 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.

<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 revenue budget of the City Council will increase by £1.782m, if the recommendations in this report are approved.

## **Financial Consequences – Capital**

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £4.381m 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 17<sup>th</sup> February 2021 – Capital Strategy and Budget 2020/21 to 2024/25
- Report to the Executive 17<sup>th</sup> March 2021 - Capital Programme Update
- Report to the Executive 2<sup>nd</sup> June 2021 – Capital Programme Update
- Report to the Executive 30<sup>th</sup> June 2021 – Capital Programme Update and Capital Programme Monitoring 2020/21 Outturn
- Report to the Executive 28<sup>th</sup> July 2021 – Capital Programme Update
- Report to the Executive 15<sup>th</sup> September 2021 – Capital Programme Update
- Report to the Executive 20<sup>th</sup> October 2021 – Capital Programme Update
- Report to the Executive 17<sup>th</sup> November 2021 - Capital Programme Monitoring 2021/22

## **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 17<sup>th</sup> November 2021. Impact of changes to the Capital Budget from previous reports are detailed in Appendix 3.
- 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 £1.0m. The following proposals require Council approval for changes to the capital programme.
- 3.2 Neighbourhoods – Beswick Hub RFL (Rugby Football League) Works. The project is to build a new rugby league coaching and educational facility on the existing rugby ground on land to the rear of The East Manchester Academy, with Manchester City Council match-funding the proposal through the Waterfall Fund. A feasibility study has been carried out exploring options for the further development of the site to include changing rooms, teaching rooms and spectator seating. A key objective is to enhance the site so that not only does it offer an attractive and essential facility for RFL, but also an asset which can be used by the local community including students attending the adjacent East Manchester Academy and Connell Sixth Form College. A capital budget increase of £2.577m in 2021/22 is requested, funded by Waterfall Fund.

- 3.3 ICT – Early Years and Education System (EYES) Phase 2. Phase 2 is designed to maximise the benefits of having a single system (Liquidlogic Children’s System - LCS) for both education and health and social care. This provides an opportunity to have a single view of the child and provide the children’s and education workforce with the information required to support operational decisions and ensure there are no inconsistencies around data recording and reporting.
- 3.4 Phase 2 will further embed the EYES system and improve business processes. It will also include a full review of reporting requirements and capabilities of the system to ensure data/workflows/systems and reports are aligned, accurate and efficient, enabling more proactive reporting. The project will be classed as revenue spend in accounting terms, so it is proposed to reduce the capital budget by £1.352m, with a corresponding decrease in borrowing, and increase the revenue budget by £0.240m in 2021/22 and £1.112m in 2022/23, funded from the Capital Fund.

#### **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 Highways Services – Levenshulme Burnage Active Neighbourhood. The overall scheme addresses the serious severance separating different Levenshulme and Burnage communities and the poor-quality environment by re-connecting people to local facilities and schools by improving the experience of walking and cycling. A filtered Neighbourhood approach aims to reduce traffic in an area, through interventions such as modal filters, one-way systems, and vehicle gates (to allow certain vehicles access). This approach helps to reduce the amount of through traffic in an area, reducing overall traffic and encouraging local residents to use other forms of sustainable transport, in particular walking and cycling. The work is anticipated to be funded by the Mayor’s Challenge Fund and work is ongoing internally to ensure formal funding approval is given. A capital budget increase of £3.586m in 2022/23 is requested, funded by External Contribution
- 4.3 ICT – Ransomware Protection. Based on learning from attacks at other Councils our ability to identify and responded to a ransomware attack would be significantly enhanced. The Council needs to implement a technical solution that can pro-actively detect and isolate malicious behaviour. A capital budget decrease of £0.383m in 2021/22 is requested and approval of a corresponding transfer of £0.383m to the revenue budget, funded by Capital Fund

- 4.4 ICT - VEPS RPA (Verify Earnings and Pensions Service Robotic Process Automation). This project will eliminate a manual process of downloading daily files from Department of Work and Pensions (DWP) and manually updating current software with information for benefits, improving efficiencies in the service, and will service as a pilot project for the Future Council Programme to see the potential of automation in the future. A capital budget decrease of £0.047m in 2021/22 is requested and approval of a corresponding transfer of £0.047m to the revenue budget, funded by Capital Fund

## **5.0 Delegated budget Approvals**

- 5.1 There have been increases to the programme totalling £0.599m as a result of delegated approvals since the previous report to the Executive on 17<sup>th</sup> November 2021. These are detailed at Appendix 2.

## **6.0 Virements from Approved Budgets**

- 6.1 Approval has been given for a capital budget virement from Strategic Acquisitions budget for Site Acquisition - The Yard, Vaughan St. The £0.679m budget will buy land adjoining Space Studios, making way for potential future expansion and continued economic development in West Gorton.
- 6.2 A capital budget virement was approved to ensure the bridge works at New Islington Marina could commence. The additional £0.024m from Inflation budget was required due to contractors experiencing increased costs from their suppliers and manufacturers. The cost of raw materials such as timber and steel has risen significantly contributing to this increase and this is something contractors do not have any control over, the market has changed very quickly and is very volatile at present.
- 6.3 A virement for Traffic Free Deansgate Permanent Works was also approved utilising the Highways Improvement budget. The £1.5m will fund design and works for the permanent closure of Deansgate. Funding will be used to promote the road closures and include for automatic bollards and any other infrastructure to support a safe and secure scheme.
- 6.4 Additional costs were identified for the Wythenshawe Cycling Hub project and a virement for £0.451m from the Parks Development Programme was approved. The additional funding is required for several factors which have contributed to an increased cost for the new facilities. The largest of which relates to design development. The costs previously were an initial feasibility estimate based on outline design proposals that required further detailed development. The proposals have since been developed to consider site constraints, including ecology, arboriculture, and drainage.
- 6.5 Following approval in June 2021 for Road Collapse Emergency Works, approval has been given for a capital budget virement for further works across the 3 sites. The cause of each collapse needed to be painstakingly identified and a solution designed and then carried out prior to the reinstatement works to the highway and footway (in some cases we are dealing with buried

watercourses from 150 years ago). The additional £2.174m is funded by borrowing via the Bridges and Structures budget within Highways Services.

- 6.6 A budget virement for Lincoln Square Public realm - Mulberry Street was approved funded by a virement from the Sustaining Key Initiatives budget. The public realm works included a new tarmac treatment to Mulberry Street. The Hidden Gem Church approached Deansgate Ward Members in June 2020 to raise several concerns with the works including the area of highway outside the church and in the turning- head. It is currently brick pavers and to reflect the historic church setting a request for replacement granite setts rather than the proposed black tarmac treatment was put forward which was approved and has an additional cost of £40k

## **7.0 Prudential Performance Indicators**

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £4.381m across financial years, as detailed in Appendix 1.
- 7.2 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.

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

- 8.1 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.

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

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

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

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

- 9.2 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**

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

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

- 9.4 Investment in cultural and leisure services and housing.

**(e) A connected city**

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

**10.0 Key Policies and Considerations**

**(a) Equal Opportunities**

- 10.1 None.

**(b) Risk Management**

- 10.2 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**

- 10.3 None.

**11.0 Conclusions**

- 11.1 The revenue budget of the City Council will increase by £1.782m, if the recommendations in this report are approved.
- 11.2 The capital budget of the City Council will increase by £4.381m, if the recommendations in this report are approved.

**12.0 Recommendations**

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



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

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Total
			£'000	£'000	£'000	£'000
<b><u>Council Approval Requests</u></b>						
Neighbourhoods	Beswick Hub RFL	Waterfall	2,577			2,577
ICT	EYEs Phase 2	Borrowing	- 240	- 1,112		- 1,352
<b><u>Total Council Approval Requests</u></b>			<b>2,337</b>	<b>-1,112</b>	<b>0</b>	<b>1,225</b>
<b><u>Executive Approval Requests</u></b>						
Highways Services	Levenshulme Burnage Active Neighbourhood	External Contribution		3,586		3,586
ICT	Ransomware Protection	Borrowing reduction, funding switch via Capital Fund	- 81	- 76	- 226	- 383
ICT	VEPS RPA (Verify Earnings and Pensions Service Robotic Process Automation)	Borrowing reduction, funding switch via Capital Fund	- 47			- 47
<b><u>Total Executive Approval Requests</u></b>			<b>-128</b>	<b>3,510</b>	<b>-226</b>	<b>3,156</b>
<b><u>Total Budget Adjustment Approvals</u></b>			<b>2,209</b>	<b>2,398</b>	<b>-226</b>	<b>4,381</b>

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

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Future	Total
			£'000	£'000	£'000	£'000	£'000
Neighbourhoods	Manchester Regional Arena - Refurbishment of Changing Rooms	Waterfall Fund	83				83
Growth and Development	Space - Phase 3 Additional Funding	Capital Fund	50				50
Children's Services	Varley Street Site Investigations	Capital Fund	65				65
Highways Services	Restoration of Ordinary Water Courses	Government Grant	300				300
Neighbourhoods	Hough End Master Plan Additional Funding	Waterfall Fund	101				101
Growth and Development	New Islington Bridge Works	Borrowing	23				23
Corporate Services	Inflation	Borrowing	-23				-23
Growth and Development	Site Acquisition - The Yard, Vaughan St	Capital Fund	679				679
Growth and Development	Strategic Acquisitions	Capital Fund	-679				-679
Highways Services	Traffic Free Deansgate Permanent Works	Borrowing	1,500				1,500
Highways Services	Highways Other Improvement works	Borrowing	-1,500				-1,500
Growth and Development	Lincoln Square Public realm - Mulberry Street	Borrowing	40				40
Growth and Development	Sustaining Key Initiatives	Borrowing	-40				-40
Neighbourhoods	Wythenshawe Cycling Hub Additional Costs	Borrowing	451				451
Neighbourhoods	Parks Development Programme	Borrowing	-451				-451
Highways Services	Woodlands Road Emergency works	Borrowing	2,174				2,174
Highways Services	Bridge & Structure Maintenance	Borrowing	-2,174				-2,174

<b>Total Delegated Approval Requests</b>	<b>599</b>	<b>0</b>	<b>0</b>	<b>0</b>
				<b>599</b>

### Appendix 3 – Capital Programme Budget 2021-25

	Approvals			
	Council	Executive	Delegated	Total
	£'000's			
Capital Outturn 2020/21		1,034,971		1,034,971
Executive June 2nd	-2,372			-2,372
Executive June 30th	19,013	3,781	75	22,869
Executive July 28th	21,556	7,149	295	29,000
Executive September 15th	661	3,347	320	4,328
Executive October 20th	203	5,985	376	6,564
Executive November 17th	34,000			34,000
Executive January 19th			599	599
<b>Total Revised Budget</b>	<b>73,061</b>	<b>1,055,233</b>	<b>1,665</b>	<b>1,129,959</b>