

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

**Report to:** Executive – 1 June 2022

**Subject:** Capital Programme Update

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

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### **Summary**

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 Council for the approval of the capital programme. Proposals for the capital budget were presented to the Executive on 16th February 2022. The £854.1m capital programme for 2022/23 – 2024/25 represents the continued significant investment in Manchester with over 220 current live projects.

Throughout the year new and emerging projects are brought forward, as well as changes to on-going projects which require investment. The Capital Update Report informs members of these 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 Council proposals that require specific Council approval.

### **Recommendations**

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

1. Neighbourhoods - Hough End Masterplan. A capital budget increase of £11.905m is requested, funded by £4m Grant, £5.499m funded by borrowing on an invest to save basis funded by joint funds held by Manchester City Council and Sport England, £1.832m funded by borrowing on an invest to save basis and £0.574m Borrowing.

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

1. Children's Services – Education Basic Need. A capital budget increase of £4.056m is requested, funded by Government Grant.
2. Children's Services - Schools Capital Maintenance Programme. A capital budget increase of £4.264m is requested, funded by Government Grant.
3. Children's Services – High Needs Provision. A capital budget increase of £16.427m is requested, funded by Government Grant.

4. ICT – Registrars EPOS (electronic point of sale) Solution. A capital budget decrease of £0.141m is requested and approval of a corresponding transfer of £0.141m to the revenue budget, funded by Capital Fund.
5. Growth and Development – Public Sector Decarbonisation Scheme Additional Funding. A capital budget increase of £4.648m is requested, funded by Government Grant. A capital virement of £1.550m is also requested, funded by Borrowing via the Carbon Reduction Programme.
6. ICT – SAP Review. A capital budget decrease of £0.147m is requested and approval of a corresponding transfer of £0.147m to the revenue budget, funded by Capital Fund.
7. Corporate Services - HR and Finance System Replacement Project. A capital budget increase of £1.425m is requested, funded by RCCO – Transformation Reserve.

Executive is also asked to note:

1. The increases to the programme of £2.668m as a result of delegated approvals.
2. The virements in the programme of £2.878m as a result of virements from approved budgets.
3. Update on Shared Ownership and Affordable Homes Programme (SOAHP) grant award.

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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 £0.288m, 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 £42.437m across the financial years as detailed in Appendix 1.

### **Contact Officers:**

Name: Carol Culley  
Position: Deputy Chief Executive and City Treasurer  
Telephone: 0161 234 3406  
E-mail: c.culley@manchester.gov.uk

Name: Tom Wilkinson  
Position: Deputy City Treasurer  
E-mail: tom.wilkinson@manchester.gov.uk

Name: Tim Seagrave  
Position: Group Finance Lead – Capital and Treasury Management

Telephone: 0161 234 3445  
E-mail: t.seagrave@manchester.gov.uk

Name: Kirsty Cooper  
Position: Principal Finance Manager – Capital  
Telephone: 0161 234 3456  
E-mail: k.cooper@manchester.gov.uk

**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 16<sup>th</sup> February 2022 – Capital Strategy and Budget 2022/23 to 2024/25

Report to the Executive 16<sup>th</sup> March 2022 - Capital Programme Update

## **1.0 Introduction**

- 1.1 This report outlines the requests for changes to the capital budget from 2022/23.

## **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 Council for the approval of the five-year capital programme. Proposals for the capital budget were presented to the Executive on 16th February 2022.
- 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 16<sup>th</sup> March 2022. The impact of changes to the Capital Budget from previous reports are detailed in Appendix 3.
- 2.4 The capital programme budget will be reset for 2022-23 and future years as part of the Capital 2021-22 Outturn report which will come to Executive at the end of June.
- 2.5 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.
- 2.6 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 – Hough End Masterplan. The Hough End proposal is for the erection of a two-storey extension to form sports field changing rooms, cafe facilities, flexible club/social/training rooms and gym space following the demolition of the existing building on site, formation of two 3G football turf pitches as well as associated floodlighting and fencing together with a reconfiguration of natural turf pitches, with associated 67 space car park and an additional 60 space overflow car park.

- 3.3 In addition, the development strategy includes qualitative improvements to the natural turf football pitches to be met from 12 months pitch improvement works as part of the construction phase, followed by enhanced grass pitch maintenance per annum that will be built into the facility business plan for Hough End site. Following the submission of the revised planning application and the completion of the design work to RIBA Stage 4. A capital budget increase of £10.134m in 2022/23 and £1.771m in 2023/24 is requested, funded by £4m Grant, £5.499m borrowing on an invest to save basis to be funded from by joint funds held by Manchester City Council and Sport England, £1.832m funded by borrowing on an invest to save basis and £0.574m borrowing.

#### **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 £10.0m, 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 – Education Basic Need Grant. The grant is paid to local authorities (LAs) to support the capital requirement for providing new pupil places by expanding existing maintained schools, free schools, or academies, and by establishing new schools. The grant is not time-bound so that the Council can make the best decisions for the city. The council has received an allocation of £4.056m for 2023-25, the funding will be used, and projects brought forward where a need is identified. A capital budget increase of £4.056m in 2023/24 is requested, funded by Government Grant.
- 4.3 Children's Services - Schools Capital Maintenance Programme. The Council receives grant funding each year from the Department for Education for maintenance to the school estate. The council has received an allocation of £ 4.264m for 2022/23, funding will be used to address condition needs identified in the Council's estate of maintained schools which includes community, voluntary controlled and foundation schools. A capital budget increase of £4.264m in 2022/23 is requested, funded by Government Grant.
- 4.4 Children's Services – High Needs Provision. The Council receives funding from the Department of Education to support the provision of new places and improve existing provision for children with special educational needs and disabilities or requiring alternative provision. The Council has received an allocation of £16.427m allocated over 2022-23 and 2023-24. A capital budget increase of £7.658m in 2022/23 and £8.769m in 2023/24 is requested, funded by Government Grant.
- 4.5 ICT – Registrars EPOS Solution. The scheme will replace the current unsupported electronic point of sale (EPOS) and stock control system with a fit for purpose solution to enable Registrars to continue taking payment and

managing the certificate stock on a supported system. A capital budget decrease of £0.141m in 2022/23 is requested and approval of a corresponding transfer of £0.141m to the revenue budget, funded by Capital Fund.

- 4.6 Growth and Development – Public Sector Decarbonisation Scheme (PSDS) Phase 3. The Zero Carbon Estate Programme has secured grant funding from the Public Sector Decarbonisation Scheme Phase 3 to deliver a range of energy efficiency and generation measures in Council owned buildings across the City. This project is being delivered specifically to reduce energy consumption within the estate with each building includes measures to decarbonise heat through the installation of Air Source Heat Pumps as a minimum, where feasible additional energy efficiency and generation measures such as LED Lighting & Controls and Solar PV have also been included.
- 4.7 All works must complete by the end of March 2023 to qualify for the PSDS Phase 3 grant funding and match funding is required. A capital budget increase of £4.648m in 2022/23 is requested, funded by Government Grant. A capital virement from approved budgets of £1.550m is also requested, funded by Borrowing via the Carbon Reduction Programme.
- 4.8 ICT – SAP Review. This proposal is to complete the discovery exercise to determine the correct technology mix to support the future strategic direction of both HR and Finance functions. The work will determine business requirements from a functional and non-functional perspective and underpin the pre-development work to follow. A capital budget decrease of £0.147m in 2022/23 is requested and approval of a corresponding transfer of £0.147m to the revenue budget, funded by Capital Fund.
- 4.9 Corporate Services - HR and Finance System Replacement Project. The programme is a once in a generation opportunity to upgrade our core finance and HR systems to help drive change to the way we operate our services, manage and report performance, and interact with our suppliers. The current system, implemented in 2006, will no longer be supported after 2027. The programme is therefore necessary to move Finance, Human Resources and Procurement (procure-to-pay) functions from the current SAP system. This capital scheme will fund and create new roles to support a dedicated Programme working group to undertake pre-development work to prepare the organisation for the significant business change associated with replacing finance and HR systems as well as delivering the operational improvements and training associated with the Council's Future Shape programme. A capital budget increase of £0.525m in 2022/23 and £0.900m in 2023/24 is requested, funded by RCCO – Transformation Reserve.

## **5.0 Delegated budget Approvals**

- 5.1 There have been increases to the programme totalling £2.668m as a result of delegated approvals since the previous report to the Executive on 16<sup>th</sup> March

2022. These are detailed at Appendix 2.

## **6.0 Virements from Approved Budgets**

- 6.1 Capital budgets approved for an agreed programme pending allocation can seek approval under delegated powers from the Deputy Chief Executive and City Treasurer.
- 6.2 Approval has been given for £2.169m to be allocated for Schools Maintenance work, from Government Grant received, to be carried out in 2022/23. The programme of work is designed to address condition needs identified in the Council's estate of maintained schools which includes community, voluntary controlled and foundation schools.
- 6.3 A capital budget virement from the Asset Management Programme (AMP) was approved for additional funding for the Manchester Equipment and Adaptations Partnership Relocation (Aids and adaptations) project. The £0.496m budget will cover additional scope to the project for storage area and external parking area to meet forecast future demand, as well as ensuring funding is available now the final costs have received.
- 6.4 An allocation from Education Basic Need funding of £0.120m was approved for the Manchester Secondary PRU (Pupil Referral Unit). This project is targeted at scaling back the accommodation portfolio of Manchester Secondary PRU (MSPRU) to reduce the cost-of-service delivery and improve the quality of estate. It will also free up two sites identified for redevelopment.
- 6.5 Approval has been given for £0.093m for Peel Hall Primary Emergency Heating Works funded from grant funding within the Schools Maintenance budget. Urgent works were required at the school due to the heating at the early year's foundation stage side of Peel Hall Primary School failing. The works included replacing all the heating pipes in the floor ducts with new pipework at high level throughout the corridor to the affected part of the school.

## **7.0 Update on Shared Ownership and Affordable Homes Programme (SOAHP) grant award**

- 7.1 The Collyhurst full project was approved in August 2021 fully funded from Council resources. The project will deliver 100 new Council homes in Collyhurst Village (Harpurhey ward) alongside a development of 144 open market sale properties, with a further 30 Council homes delivered in South Collyhurst (Miles Platting & Newton Heath ward). Since approval of the budget the Council's bid for funding through Homes England's Shared Ownership and Affordable Homes Programme (SOAHP) has been approved, thereby, securing a contribution of £6.890m towards the cost of delivering the Council's element of the scheme. As outlined previously, it is intended that this grant funding be used to displace the equivalent amount of the HRA funding which had been allocated to deliver the Scheme. Officers are currently working to finalise the grant agreement with Homes England, which is



expected to be completed by June 2022. Drawdown of funding will be on the basis of 75% of the grant amount being provided at start on site, with the remaining 25% upon practical completion of the homes.

## **8.0 Prudential Performance Indicators**

- 8.1 If the recommendations in this report are approved the General Fund capital budget will increase by £42.437m 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**

None.

### **11.1 (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 The approvals set out in this report are in accordance with the Council's constitution.

### **12.0 Conclusions**

- 12.1 The revenue budget of the City Council will increase by £0.288m, if the recommendations in this report are approved.
- 12.2 The capital budget of the City Council will increase by £42.437m, if the recommendations in this report are approved.

### **13.0 Recommendations**

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