

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

**Report to:** Resources and Governance Scrutiny Committee – 21 June 2022  
Executive – 29 June 2022

**Subject:** Capital Programme Outturn 2021/22

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

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### **Summary**

This report informs members of:

- (a) The outturn of capital expenditure for 2021/22.
- (b) The financing of capital expenditure for 2021/22.
- (c) The major variances between the 2021/22 outturn and the previous Capital Programme monitoring report submitted in February 2022.
- (d) The revised capital programme budget for 2022/23 and subsequent years as a result of the review of the programme following outturn.

### **Recommendations**

- 1. The Resources and Governance Scrutiny Committee are asked to note the report.
- 2. The Executive is requested to:
  - 1. Recommend that the Council approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix C.
  - 2. Note the outturn of capital expenditure 2021/22 was £293.2m.
  - 3. Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2022.
  - 4. Approve virements under £0.5m within the capital programme as outlined in Appendix B, including those related to inflation.
  - 5. Approve the budget increases under delegated powers outlined in section 10 and recommend that Council approve the changes
  - 6. Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2021/22 including the use of £99.6m Grants and Contributions, £12.3m Capital receipts, £28.3m Revenue funding and £153.0m Borrowing.

7. Note the revised capital programme for 2022/23 shown in Section 9 and Appendix F.

**Wards Affected:** All

<b>Environmental Impact Assessment</b> - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. 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>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
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 Revenue Budget Outturn report.

## **Financial Consequences – Capital**

The Capital Outturn 2021/22 for Manchester City Council is £293.2m compared to the revised budget of £329.0m submitted to Executive in February 2022.

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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
- Report to the Executive 19<sup>th</sup> January 2022 – Capital Programme Update
- Report to the Executive 16<sup>th</sup> February 2022 – Capital Strategy Report and Capital Programme Monitoring 2021/22
- Report to Executive 16<sup>th</sup> March 2022 - Capital Programme Update
- Report to Executive 1<sup>st</sup> June 2022 – Capital Programme Update

## **1. Introduction**

1.1. The purpose of the report is to:

- Inform the Executive of the capital outturn position for 2021/22 including total expenditure and funding;
- Confirm that funding sources have been managed to best utilise resources available to fund the capital programme; and
- Present a revised capital programme for the 2022/23 financial year after taking into account the final outturn position as reported.

1.2. A summary of each part of the programme is included within the report, providing details on the major projects. This is presented alongside a summary of the outturn position, and as a result any changes to the budget that are required.

1.3. Appendix A provides a detailed review of the activities undertaken by major projects and explains the variances to budget for 2021/22. Appendix B provides details of other material variations in the programme. Appendix C details the virements requested to reflect the revised budget forecast. Appendix E shows the outturn position for the Council's prudential indicators. Appendix F details the full revised capital budget for each project, taking into account the virements requested, the new budgets introduced, and any re-profiling between years.

## **2. Contributing to a Zero-Carbon City**

2.1. To reflect the climate change emergency that the Council has declared, capital expenditure business cases are now required to include carbon measures for both during the project progression stage and the ongoing lifecycle post completion. The intention is that the carbon footprint of a scheme is considered as part of the decision-making process. This work is ongoing and will reflect the decisions taken by the Council on how it will meet the future carbon reduction targets in order to become carbon neutral by 2038.

2.2. In February 2021 Executive agreed to the adoption of the Manchester Low Carbon Build Standard for future capital projects, and this has been implemented. Work is now ongoing to develop specific measurable carbon metrics across the capital programme, for both during and post-acquisition/construction phases of a project, that will enable comprehensive reporting on the intended and achieved carbon reductions created through the programme. It is intended that this will form part of these monitoring reports.

2.3. Carbon reduction has been a focal point for the 2021/22 capital programme, with projects such as the Civic Quarter Heat Network, purchase of electric refuse vehicles, carbon reduction measures across the Council's estate and tree planting all progressing.

## **3. Capital Programme Outturn 2021/22**

3.1. The final capital outturn for the Manchester City Council Capital Programme in 2021/22 is shown in the table below. The programme delivered over £293m of

capital investment during the year, against the initial start budget finalised in June 2021. There have been a number of variances from the forecast position reported in February 2022, the main variances relate to Co-op Academy, Our Town Hall, The Factory, Hammerstone Road Depot, Housing Infrastructure Fund and Gorton Health Hub, and are discussed in more detail in the following sections.

Manchester City Council Programme	2021/22					Variance Q4 to Q3
	Current Budget	Forecast at Q1	Forecast at Q2	Forecast at Q3	Outturn Q4	
	£'m					£'m
Highways	66.0	57.8	48.0	40.9	37.0	(3.9)
Neighbourhoods	47.3	36.7	38.6	35.7	31.3	(4.4)
The Factory and St John's Public Realm	56.5	53.3	50.6	42.6	42.6	(0.0)
Growth and Development	96.2	93.0	83.2	64.3	43.5	(20.8)
Our Town Hall Refurbishment	70.9	67.7	60.4	53.8	49.7	(4.1)
Housing – General Fund	17.7	15.8	18.6	17.1	16.6	(0.5)
Housing – Housing Revenue Account	31.2	31.0	28.3	23.8	24.2	0.4
Children's Services	46.4	44.9	33.7	31.1	29.2	(1.9)
ICT	7.1	7.0	6.4	6.4	7.4	1.0
Corporate Services	19.0	15.0	14.5	12.4	11.7	(0.7)
<b>Total (exc. contingent budgets)</b>	<b>458.3</b>	<b>422.2</b>	<b>382.3</b>	<b>328.1</b>	<b>293.2</b>	<b>(34.9)</b>
Contingent Budgets	45.0	45.0	45.0	0.0	0.0	0.0
<b>Total</b>	<b>503.3</b>	<b>467.2</b>	<b>427.3</b>	<b>328.1</b>	<b>293.2</b>	<b>(34.9)</b>

- 3.2. The impact of the outturn and the future capital forecast is shown in section 10.
- 3.3. The outturn position for the 2021/22 financial year is higher than the average spend over the past three years and represents the continued significant investment in Manchester with over 220 live projects progressing during the year, a major achievement given the impact of the pandemic.
- 3.4. The future years programme has been adjusted to reflect the outturn position and the subsequent reprofiling of capital spend is shown in the table above, alongside any underspends with any associated funding released for other investment priorities. This will then form the baseline budget for the 2022/23 monitoring.
- 3.5. A review of the top 10 projects is provided in Appendix A. These projects cover 63% of the total programme. Appendix B provides details of any other material changes in the programme since the last report to Executive.
- 3.6. The programme contains some budgets yet to be allocated to specific projects

but reserved for a particular purpose, such as Education Basic Need funding, the ICT Fund and the budget for inflation pressures. These will be allocated as the schemes are progressed and the business case for approval completed, or in the case of inflation the business case showing the impact of inflationary pressures on a scheme completed. The funding will be released following approval through the Council's capital approval process.

#### **4. Summary of Main Variances to the Approved Budget**

- 4.1. There have been a number of changes to the programme since the Outturn report to Executive in June 2021. Overall, the spend against the approved in year programme of £458.3m is £165m lower. The main reasons for this are summarised below, with the major variances outlined in more detail in Appendices A and B in the report:
- 4.2. £29m Highways – The Active Travel Fund and Northern Quarter Cycling scheme have reprofiled £5.1m and £3m respectively into futures years, as detailed in Appendix B. In addition, inclement weather and capacity issues with third parties has delayed the Highways Maintenance Programme with £4.5m slipping into 2022/23.
- 4.3. £16m Neighbourhoods – This includes Beswick Hub Rugby Football League £2.6m reprofiling and £2.2m relating to Indoor Leisure - Abraham Moss as detailed in Appendix B. The Manchester Aquatic Centre will reprofile £4.5m into future years to reflect the fact the main contract was signed in April 2022, which has had an impact on the progress on site.
- 4.4. £51m Growth and Development – This includes £7.1m of the Housing Infrastructure Fund (HIF) funding for enabling works in Victoria North will move into 2022/23. There is also £9.3m reprofiling required for Hammerstone Road Depot, and £8.9m Carbon Reduction Programme/Public Sector Decarbonisation Fund detailed in Appendix A. With other major variances of £4.1m for House of Sport and £4.4m for Campfield Development outlined in Appendix B.
- 4.5. £21m Our Town Hall – This will now be spent in 2022/23 in line with the current programme of works which was agreed and revised after the budget was set.
- 4.6. £17m Children's Services - £11.6m of this relates to the revised start on site date for the Co-op Academy in Belle Vue, detailed in Appendix A.
- 4.7. Expenditure is almost £36m lower than that forecast in the report to Executive in February 2022. The largest change relates to the £8.2m reprofiling across Public Sector Decarbonisation Scheme and the Carbon Reduction programme which has seen delays in designs and contract approvals linked to the supply chains.

#### **5. Social Value**

- 5.1. Every capital project is required to consider the social value which could be realised, either through procurement or other routes, through the creation of the asset. This is one of the key requirements of the capital expenditure approval

process. Some examples of the social value delivered during 2021/22 include:

- 5.2. Our Town Hall (OTH): Further engagement with schools has led to a significant rise in school/college career/employment sessions and STEM sessions, with a rise of 24 and 7 respectively over the previous 3 months. Having confirmed a total of 6 PlanBEE placements on the project for 2022, employers worked with the learning provider throughout May to recruit residents to these vacancies; a notable success of this round of recruitment being that 4 female applicants have been offered roles. Work is underway between employment broker Framework Training and supply chain employers, to look at the viability of delivering a shared apprenticeship scheme in Property Maintenance Level 2. Currently employers are assessing the apprenticeship standard, with a view to offering commitment, with Framework managing and coordinating the scheme. Having established a new work placement model for 14-16 year olds, Lendlease and its supply chain has been delivering in school work experience to North Ridge SEND School students. Activities have been interactive and STEM based with each session focusing on the Skills For Life strategy. Following the success of this model, project employers will deliver similar in school sessions to other schools throughout the remaining project timeline
- 5.3. Northwards Housing: At the end of Q4 Northwards Housing contractors are supporting 11 trainees who started working in previous financial years and a further 8 trainees who started in 2021/22, all drawn from the local area.
- 5.4. Highways are currently using the Social Value Portal to track, monitor and report social value delivery across the service. During the financial year 2021 - 2022, there has been significant social value provided by various contractors across the service equating to delivered social local economic value of circa £3million. Common areas of social value have been around community support e.g. offer of materials, labour and donations in kind as well as volunteering hours and help for the homeless. The highlights include:

#### Major Projects:

- Total community project donation of £10,600 (City Centre) including a donation of £500 to the Friends of Sackville Gardens (a community group that encourages residents to maintain and upkeep the local gardens). The donation was used for a concrete base so that a shed could be installed to keep tools and planting equipment safe. Further donations of bark, bulbs and planters were also provided to support the local community as well as some grounds work and refurbishment undertaken. 89 hours of volunteering for Perry's Pantry in Didsbury. Rosgals provided a driver for 22 hours a month over a 9-month period to deliver food parcels across the City.
- Pothole repairs and drainage works were undertaken at Brunswick Church to improve the surface of the car park, prevent accidents and to make it more accessible. (Longsight)

#### Network Management:

- £3,500 donation to Mustard Tree Charity to tackle homelessness (Ancoats)



- 24 hours volunteering for Read Manchester Campaign. Bethell's provided 2 staff members to deliver books to schools across Greater Manchester
- Community project at Dell Care home. Bethells provided paving slabs and materials equating to the value of £950 and 16 hours' worth of labour to reinstate a safe path for residents. (Gorton)

## 6. Capital Financing 2021/22

6.1. The funding of the 2021/22 Capital Programme is summarised below:

	£m	%
Capital Expenditure	293.2	
Financed by:		
Government Grants	81.8	27.9%
Other External Contributions	17.7	6.1%
Capital Receipts	12.3	4.1%
Revenue Funding	7.3	2.5%
HRA Major Repairs Reserve	21.1	7.2%
Borrowing	153.0	52.2%

- 6.2. Capital funding decisions are delegated to the Deputy Chief Executive and City Treasurer and the Executive is asked to note the following decisions for the funding of the capital expenditure incurred in 2021/22.
- 6.3. £81.8m of government grant has been used. Any unused grant has been carried forward for use in 2022/23. The programme was managed to ensure that any grant with a risk of claw back due to time constraints or other factors was fully utilised in 2021/22. Similarly, any external contributions that have not been used will be carried forward into 2022/23.
- 6.4. The balance of available capital receipts carried forward from 2020/21 was £94.0m. A further £35.2m receipts were received in 2021/22 including pooled housing receipts. Drawdown from capital receipts was £12.3m leaving a balance for use in future years of £114.4m. The majority of this relates to the HRA with £80.1m of capital receipts available for investment. The use of housing capital receipts has been delayed due to the success in achieving external grant funding for a number of key projects. The insourcing of Northwards Homes has allowed the Council to review the programme in more detail and a revised programme is being developed to utilise these resources.
- 6.5. Revenue contributions were used to finance expenditure of £7.3m, including works in Neighbourhoods Leisure via the Waterfall Fund, funding of works through the Capital Fund and various Highways projects.
- 6.6. The Major Repairs Reserve funds expenditure on the HRA capital programme. The use of this reserve includes the annual contribution from the HRA revenue

budget.

- 6.7. Capital expenditure to be financed by borrowing of £153m has been applied to fund the programme. The borrowing figure represents the amount to be funded by borrowing in the long term, rather than the actual long-term borrowing taken in year, which is a treasury management and cash flow decision. In previous years the Council has borrowed less external long-term debt than required, by utilising its internal cash balances rather than take interest bearing external debt, as such the Council is in an 'under borrowed' position. During 2021/22 this position has been partially reversed, with £250m of long-term external debt borrowed during the year.
- 6.8. The minimum revenue provision for 2021/22, excluding PFIs and leases, was £30.1m. This is the funding set aside to repay the debt incurred through funding previous capital expenditure through borrowing. This has been funded from the Council's capital financing budget.

## **7. Inflation Impact on the Capital Programme**

- 7.1. Inflation in the UK in the 12 months to March 2022, as measured through the CPI, is currently 7.0%, and is expected to increase further with the Bank of England warning that 10% is possible this year. The impact on the construction sector has been significant.
- 7.2. The latest monthly statistics of building materials and components from the Department for Business, Energy and Industrial Strategy (BEIS) for February 2022 noted that the price index for all construction works was 20.2% higher than the previous year. This included significant price increases for some construction materials, such as concrete reinforced bars (43.6%) and fabricated structural steel (35.9%).
- 7.3. There is little sign of the inflation pressures abating, with companies continuing to issue warnings on future cost increases. The Turner & Townsend UK Market Intelligence report published in April suggests tender price inflation in 2022 of 8.5% for real estate and 6.0% for infrastructure, with forward forecast tender price inflation in 2025 of 4.0% for real estate and 5.0% for infrastructure.
- 7.4. Within the contingent budgets noted above a proportion is earmarked for inflationary pressures that are causing projects to exceed their existing budget.
- 7.5. Officers are reviewing major projects within the programme that are facing imminent inflationary pressures. The key schemes include:
  - a) Abraham Moss Leisure Centre
  - b) Hammerstone Road Depot
  - c) Manchester Aquatics Centre
  - d) National Cycling Centre
  - e) Silk Street Housing Project
  - f) This City – Rodney Street
  - g) The Factory and
  - h) Our Town Hall

- 7.6. The inflation contingency currently stands at £28m and has been profiled over a number of financial years to reflect the expected timing of any contract increases over the life of the programme. All the above schemes will be reviewed and any inflationary increases that require funding will be approved via the capital approval check point process and be reported as a Key Decision, as appropriate.
- 7.7. The remainder of the capital programme will continue to be closely monitored and reported to members.

## 8. General Programme Risks

- 8.1. Unlike the Revenue Budget the Capital Budget is subject to change as new schemes and /or external funding is received. The budget is prepared in February each year on the best estimate of the start date and spend profile for each scheme and is refreshed in June for the Outturn Position. Most capital schemes cover multiple years and as the scheme develops the spending profile across financial years changes to reflect the agreed start on site date and delivery of the work packages. This report is intended to highlight the total life and cost of schemes, which is more important than their in year position, and their associated risks. All projects carry risk such as delivery risk, third party risk and market risk, including build cost and inflation.
- 8.2. Where funding sources for the programme are time-limited, such as the Public Sector Decarbonisation Scheme, officers will continue to monitor progress against these schemes to seek to maximise the level of grant funding used.

## 9. Capital Programme Re-phasing and Variations

- 9.1. 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 2022/23 to 2025/26. The cumulative impact of these adjustments are shown in the table below. The future programme will be reviewed throughout 2022/23 to reflect changes to the proposed profile of spend.

### *Proposed Capital Programme variations 2021/22 to 2025/26*

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total Programme £m
Revised Capital Budget (2020/21 Outturn and subsequent approved additions)	503.3	496.0	218.2	12.9	0	1,230.4
Forecast Re-profile	(207.5)	16.2	65.4	95.5	30.4	0
Cost Variations	(1.4)	(9.7)	(2.3)			(13.4)
Under/Over	(1.2)					(1.2)
Budget Increases proposed as part of this		8.8	30.3	7.6		46.7

report						
Proposed Capital Budget	<b>293.2</b>	<b>511.3</b>	<b>311.6</b>	<b>116.0</b>	<b>30.4</b>	<b>1,262.6</b>

*Virements in 2021/22*

- 9.2. The schemes that require virements in 2021/22 and future years, as shown in Appendix C.
- 9.3. The Council is recommended to approve virements over £0.5m within the capital programme as outlined in Appendix C.
- 9.4. The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in Appendix C.
- 9.5. As shown in the table above, there are a number of budget reductions across years that can be removed from the Capital Programme which total £48.9m. This is made up of:
  - a) The loan element of the funding agreement within Biomedical Investment is not required, reducing the budget requirement by £7.3m.
  - b) The Parkhill Land Assembly programme is now part of Project 500, a partnership between the Council and registered housing providers (RPs), involving the disposal of small sites across Manchester to RPs to deliver affordable Housing. Therefore this will now not be developed by MCC, reducing the budget requirement by £4.3m.
  - c) A removal of £0.3m from the Strategic Acquisitions Programme relating to the residual budget for the Spire.
  - d) The Government funded Next Steps Accommodation Programme has ended with the remaining £1.5m budget released following the programme deadline. The new Rough Sleepers Accommodation Programme has replaced this work and has received further funding.
  - e) The second tranche of the pandemic related support for Manchester Airport Group of £35.5m will not be required and will be removed from the programme.

## **10. Increases to the Capital Programme**

- 10.1. There are schemes that have been developed or have received external funding that are now ready for inclusion in the Capital Programme. More detail on the schemes can be found at appendix D and they are summarised below. The total increase to the programme is £46.7m. These schemes are included in the proposed programme shown in section 9 and are affordable within existing and forecast capital resources.

For Executive approval:

- Neighbourhoods – Off Street Car Parks: Additional funding is required to carry out works to one of the Council’s multi storey car parks, identified as

part of the Fire Risk Assessment. This includes internal fire doors and a new fire alarm. Electric works are also required to Bloom Street Car Park for a new power supply for lighting. A capital budget increase of £0.369m in 2022/23 is requested, funded by Parking Reserve.

- Northwards ICT Work. Northwards Housing Limited (NHL) came back into Manchester City Council (MCC) in July 2021. Work is continuing to migrate the Northwards ICT infrastructure in the City Council infrastructure. The funding will finance a multi-disciplinary migration team as well as the required hardware, software and supplier fees to conduct the migration in a fashion that protects live services to tenants. The work will also ensure a more secure, supportable and resilient IT Service to underpin Housing Operations and which also will address lack of investment in ageing and end of life infrastructure that is outsourced to third parties to manage A capital budget increase of £2.491m in 2022/23 and £1.599m in 2023/24 is requested, funded from a revenue contribution from the HRA.
- Private Sector Housing – Disabled Facilities Grant (DFG). Government grant allocation for home adaptations for people with disabilities. A capital budget increase of £0.855m in 2022/23 and £7.628m in 2023/24 is requested, funded by Government Grant

For Council Approval:

- Public Sector Housing – Northwards Housing Capital Programme 2022/23. The programme will deliver essential health and safety work, security improvements and environmental improvements across the Council's Housing estate. Internal work will continue for low rise properties replacing kitchens or bathrooms as well as rewiring and heating renewal as required, in line with the Decent Homes programme. External works to high rise properties will include, but not limited to, window replacements, reroofing, external wall insulation and work to balconies. Carbon efficiencies will be found through works replacing gas boilers with ground source heat pumps and other low carbon heating, external wall insulation, triple glazed windows, solar PV panels and low energy lighting replacement. A capital budget increase of £2.475m in 2022/23, £21.047m in 2023/24 and £7.599m in 2024/25 is requested, funded by an RCCO from the HRA.
- Corporate Programme - Elizabeth Tower GP surgery – The development at Great Jackson Street to build 8 new residential blocks attracted a S106 agreement whereby the developer provided an accommodation space to house a GP surgery and ancillary facilities to service the city centre's growing residential population. The space has a gross internal area of 742.5m<sup>2</sup>, and a long lease has been signed by NHS property services (NHSPS). There is no NHS England capital funding available to support the fit out of the facility, with the responsibility for the fit having to be funded from local NHS partnership resources. It is proposed that this work is funded from the Health Integration reserve, which is held by the Council to be used in partnership with local health agencies (MHCC). The

works have been tendered by NHS property services in line with public sector procurement requirements and the total fit out costs will be £2.6m. MHCC sought advice from NHS England on the mechanisms by which the funding could most effectively be transferred to NHSPS to ensure maximum benefit to the Manchester Locality. This route is for MCC to transact the funding to the GP practice(s) by way of a grant agreement and the GP practice(s) then transact the funding to NHS PS who will complete the facility. A capital budget increase of £2.6m in 2022/23, funded by RCCO from Integration Reserve.

## 11. Capital Programme Forecast for 2022/23 and future years

11.1. If the virements, and increases set out above are approved, the revised capital programme for 2022/23 and future years is shown in the table below:

<b>Manchester City Council Programme</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
Highways	51.2	15.0	4.4		70.6
Neighbourhoods	64.1	15.3	2.8	2.8	85.0
The Factory and St John's Public Realm	46.5				46.5
Growth and Development	110.1	82.5	13.6	15.0	221.3
Town Hall Refurbishment	82.3	83.6	35.8		201.7
Housing – General Fund	24.9	38.3	5.4	7.5	76.1
Housing – Housing Revenue Account	34.8	30.2	15.7	5.0	85.7
Children's Services	48.3	12.1			60.4
ICT	9.5	1.6			11.1
Corporate Services	15.2	1.4	0.5		17.1
<b>Total (exc. Contingent budgets)</b>	<b>486.9</b>	<b>279.8</b>	<b>78.3</b>	<b>30.3</b>	<b>875.3</b>
Contingent Budgets	24.4	31.8	37.7	0.1	94.0
<b>Total</b>	<b>511.3</b>	<b>311.6</b>	<b>116.0</b>	<b>30.4</b>	<b>969.4</b>

11.2. The forecast budget for 2022/23 is ambitious compared to previous annual expenditure.

11.3. The large-scale projects due to begin in 2022/23 include Campfield Redevelopment and Home Arches, Back of Ancoats Mobility Hub and Public Realm, This City Housing Delivery and Collyhurst Housing Scheme. As these are in their early stages, the estimated start dates are likely to change and it is very likely some of the budgets will slip into future years, potentially leading to a variation against the in-year budget.

11.4. In the above table, contingent budgets have been shown separately. These include, the inflation fund, and other unallocated programme budgets including

the ICT investment plan, and Education Basic Need, the majority of which are expected to be spent in future years.

- 11.5. The budget will change as new schemes will be added throughout the year, and specific projects funded through the contingent budgets are brought forward through the Council's capital approval process.

## 12. Capital Resources

- 12.1. The table below summarises the current funding assumptions for the Capital Programme based on the current forecast. This will continue to be reviewed to ensure that optimum value for money is achieved.

	<b>Draft Funding 2022/23 £m</b>	<b>Draft Funding 2023/24 £m</b>	<b>Draft Funding 2024/25 £m</b>	<b>Draft Funding 2025/26 £m</b>	<b>Draft Funding All Years £m</b>
Grants	120.7	78.4	26.8	3.6	229.5
Contributions	31.6	9.5			41.1
Capital Receipts	19.7	11.3	4.4	7.5	42.9
Revenue Contributions to Capital	46.9	49.4	24.3	5.0	125.5
Capital Fund	5.5	3.9	0.5		9.9
Borrowing	286.9	159.2	60.0	14.3	520.4
<b>Total</b>	<b>511.3</b>	<b>311.6</b>	<b>116.0</b>	<b>30.4</b>	<b>969.4</b>

- 12.2. Modelling the Council's cash flow based on the funding assumptions above and the forecast use of reserves and anticipated changes to working capital, provides an assessment of the ongoing affordability of the forecast capital programme.
- 12.3. The current modelling forecasts that the programme remains affordable within the revenue budget available. The model is based on a number of assumptions, including the timing of future borrowing and forecast future interest rates. As these assumptions change, the capital financing model including use of capital financing reserves is updated.

## 13. Prudential Indicators

- 13.1. The prudential indicators as at the end of March 2022 are shown at appendix E.

## 14. Contributing to the Our Manchester Strategy

### (a) A thriving and sustainable city

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.

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

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.

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

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.

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

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.

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

The capital programme includes investment in highways infrastructure, and broadband expansion.

## **15. Key Policies and Considerations**

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

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

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

The capital programme is based on forecast costs and funding, and as such there are risks to achieving the programme from external factors such as shortage of labour or materials, alongside market risks such as price fluctuations and interest rate charges. The Strategic Capital Board, and associated Portfolio Boards for each part of the programme, are tasked with regular monitoring of costs, delivery, quality and affordability, to help manage and mitigate these risks.

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

None.