

Manchester City Council Report for Resolution

Report to: Executive – 14 September 2022

Subject: Capital Programme Update

Report of: Deputy Chief Executive and City Treasurer

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.

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

- (1) To recommend that the Council approve the following changes to Manchester City Council's capital programme:
 - ICT - Future Council Infrastructure Implementation – Hybrid Cloud Programme. A capital budget virement of £0.618m is requested, funded by Borrowing via the ICT Investment budget. A capital budget decrease of £2.661m is also requested and approval of a corresponding transfer of £2.661m to the revenue budget, funded by Capital Fund.
 - Public Sector Housing – Woodward Court external concrete repairs and Enveloping. A capital budget increase of £3.005m is requested, funded by RCCO - HRA
 - Public Sector Housing – Fire Risk Assessment Additional Work. A capital budget increase of £4.885m is requested, funded from by RCCO from the HRA.

- (2) Under powers delegated to the Executive, to approve the following changes to the Council's capital programme:
 - ICT – Mobile Data. A capital budget decrease of £0.161m is requested and approval of a corresponding transfer of £0.161m to the revenue budget, funded by Capital Fund

- Growth and Development - House of Sport Fire Mitigation and Roof additional costs. A capital budget increase of £2.260m is requested, funded by Capital Receipts.
- Private Sector Housing – This City – Postal Street PCSA Fees. A capital budget increase of £2.4m is requested, funded by Capital Receipts.
- Public Sector Housing – Collyhurst. A capital budget increase of £6.645m is requested, funded by Capital Receipts.

(3) Executive is also asked to note the virements in the programme of £2.079m as a result of virements from approved budgets

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 revenue budget of the City Council will increase by £2.822m, 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 £16.374m 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 16th February 2022 – Capital Strategy and Budget 2022/23 to 2024/25

Report to the Executive 16th March 2022 - Capital Programme Update

Report to the Executive 1st June 2022 – Capital Programme Update
Report to the Executive 29th June 2022 – Capital Outturn Report
Report to the Executive 22nd July 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 22nd July 2022. The impact of changes to the Capital Budget from previous reports are detailed in Appendix 2.
- 2.4 The capital programme budget was reset for 2022-23 and future years as part of the Capital 2021-22 Outturn report which came 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 £10.0m, 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.

ICT - Future Council Infrastructure Implementation – Hybrid Cloud Programme.

- 3.2 This proposal covers the funding request to enable the implementation of the ICT Hybrid Cloud Strategy. This strategy fits under the wider ICT & Digital Strategy (currently in consultation phase) and is a key enabler in the delivery of ICT strategic objectives over the next 5 years.

- 3.3 The Hybrid Cloud Strategy outlines a shift in how ICT systems and applications are hosted within the Council to make further use of public cloud technologies. The key benefits or cost avoidance opportunities include. We only pay for what we use and no longer require significant investment upfront for capacity we may never need and as more applications move to the cloud it reduces the requirement for costly 5-year hardware replacement programmes. It will also compliment the Council's carbon reduction targets
- 3.4 The current Nutanix platform which hosts 99% of the Council's applications is approaching end of life with no realistic means to extend beyond October 2024 therefore making this programme essential for the future security and operational needs. The funding request is for the programme to deliver the following workstreams.
- a) Design/ build of a cloud presence to host new applications and existing applications
 - b) Deployment of a new on-premises solution for applications unsuitable for cloud
 - c) A new backup solution which will cover cloud, on-premises and Office365
 - d) Move of on-premises Citrix management to the Citrix Cloud service
- 3.5 The funding requested will cover all works to deliver the outlined workstreams, with £0.618m of capital infrastructure including hardware and further funds for the project team and services
- 3.6 A capital budget virement of £0.618m is requested, funded by Borrowing via the ICT Investment budget. A capital budget decrease of £2.661m is also requested and approval of a corresponding transfer of £2.661m to the revenue budget, funded by Capital Fund.

Public Sector Housing – Woodward Court external concrete repairs and Enveloping.

- 3.7 Woodward Court is a 13-floor multi-storey block of flats situated in Miles Platting, built circa 1965, In 2021, Capital Programmes & Procurement (CP&P) were commissioned by the Corporate Landlord to undertake an external condition survey of the 13-storey tower block following reports of spalling concrete falling from parts of the structure. The conclusion of that survey was provided in a report to the Client with several recommendations.
- 3.8 The external concrete repairs & balcony balustrade repairs work will be delivered alongside a planned programme of enveloping works to ensure clear logistical and economical benefit for the Corporate Estate. The works proposed for this scheme will include, but is not limited to, structural repairs to concrete frame and brickwork, replacement of windows with uPVC, externally cladding and insulating the block to improve thermal performance and aesthetic appearance and constructing new entrance porch in existing recessed entrance way. A capital budget increase of £0.500m in 2022/23 and £2.505m in 2023/24 is requested, funded by HRA Reserves.

Public Sector Housing – Fire Risk Assessments Additional Works

- 3.9 Following a review of fire risk assessment outcomes, further fire protection/prevention related works have been identified beyond those already included in the HRA capital programme. Such works are required across the HRA estate, and include low rise, medium rise, sheltered housing blocks and high-rise blocks. The work is mandatory and will ensure compliance with fire safety legislation and regulation. A capital budget increase of £4.112m in 2022/23 and £0.773m in 2023/24 is requested, funded from HRA reserves.

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:

ICT – Mobile Data.

- 4.2 Manchester City Council has exercised the contract extension for the mobile voice and data service with the current provider for the last time and will go out to market to consider the latest technology and to ensure we achieve best value for Manchester. A new contract must be in place by March 2023. This scheme will enable the discovery work required to build the specification for the tender documentation. The objectives will be to procure a fit for purpose, flexible contract to enhance and support the council's operational objectives including New Ways of Working, whilst also ensuring data quality is improved and cost savings are achieved where possible. A capital budget decrease of £0.161m is requested and approval of a corresponding transfer of £0.161m to the revenue budget, funded by Capital Fund

Growth and Development - House of Sport Fire Mitigation and Roof additional costs.

- 4.3 Prior to works commencing on site for the ongoing House of Sport project, a survey of the general firestopping was undertaken. This was a visual inspection of areas that are accessible from ground without full scaffold, as part of the feasibility and design stages. A fire stopping report was issued and works to correct the defective items found during this survey were priced and scope/costs included in the contract for the Rugby Football League (RFL) Works.
- 4.4 During the construction phase of the refurbishment works dismantling works have taken place including the removal of metal collars that cover the fire stopping around the ductwork, as it passes through walls and floors. From this work further issues with the fire stopping and the dampers were discovered (April 2022) and further invasive and detailed surveys were undertaken to the

wider building areas, including National Squash Centre and Regional Athletic Arena spaces. These have highlighted several further failings in the existing building including fire safety issues associated with existing fire stopping / fire compartmentation and fire dampers to ventilation ducting as well as corrosion and leaks to the existing roof and gutters.

- 4.5 If the fire remediation works do not take place there is a significant risk of the building being closed for safety reasons and status of the building as National Squash Centre and Regional Athletics Arena would be compromised as home to several national competitions, community, and elite programmes. If the roof works are not undertaken there is a risk that newly refurbished accommodation could experience water damage from roof and gutter leaks as well as further damage to the wider building envelope. A capital budget increase of £2.260m in 2022/23 is requested, funded by Capital Receipts.

Private Sector Housing – This City – Postal Street PCSA Fees.

- 4.6 The proposed development on Postal Street in Piccadilly Ward, is the second scheme to be brought forward by This City. This City is Manchester City Council's newly created housing delivery vehicle which aims to utilise Council-owned land to demonstrate that the delivery a high-quality housing product, meeting zero carbon aspirations and providing affordable homes at Manchester Living Rent is achievable. The proposal for Postal Street is to build c.111 apartments with a minimum of 20% of the homes to be let at the Manchester Living Rent.
- 4.7 This proposal requests the approval of a budget envelope to cover the appointment of a contractor on a Pre-Construction Services Agreement (PCSA) basis until planning permission has been granted whilst options for future funding are being explored for with potential third-party investors. A capital budget increase of £2.4m in 2022/23 is requested, funded by Capital Receipts.

Public Sector Housing – Collyhurst

- 4.8 In February 2021 Executive approved the Collyhurst Phase 1 scheme that forms part of the Victoria North Joint Venture between the City Council and Far East Consortium (FEC). This Phase 1 scheme will see the construction of 274 new homes in total and comprises the delivery of 244 new homes in Collyhurst Village (100 of which would be new Manchester City Council (MCC) social rent properties with the balance being for open market sale), together with the demolition of 29 existing properties (including 22 existing MCC tenanted properties); the provision of new public realm and the delivery of Phase 1 of a new Community Park. The scheme will also include the construction of 30 new MCC social rent properties in South Collyhurst.
- 4.9 Following a protracted procurement exercise, undertaken throughout a period of extreme market volatility, the final tender received from the originally identified preferred contractor significantly exceeded the original cost plan. Accordingly, an alternative procurement route has been followed in order to

secure best value for the JV partners. However, the cost of the scheme has still increased as a result of ongoing inflationary pressures in the construction market. The additional cost to MCC to deliver construction of the new homes, demolition of existing homes and construction of the new park (Including all remaining design fees, associated on-costs, legal fees, and site assembly costs) will be £6.645m taking the overall project budget to £37.9m. A capital budget increase of £6.645m is requested in 2023/24, to be funded by Housing Capital Receipts.

5.0 Virements from Approved Budgets

- 5.1 Capital budgets approved for an agreed programme pending allocation can seek approval under delegated powers from the Deputy Chief Executive and City Treasurer.
- 5.2 Approval has been given for £0.200m to be allocated from the Unallocated Education Basic Need funding for Gorton Primary School. This project will add a resource provision of 18 places to the school's capacity and will accommodate children with an Education, Health, and Care Plan (EHCP).
- 5.3 An allocation from Education Basic Need funding of £0.024m for Dixons Brooklands Academy has been approved to create an additional 30 bulge class places to meet demand for year 7 pupils in September 2022.
- 5.4 Further funding was approved for an additional Site Investigation (SI) for Heaton Park Overflow Car Park to be carried out as recommended in the previous SI report. The additional report is necessary to identify the outfall options as part of a future submission. £0.013m is allocated from the Parks Development Programme budget.
- 5.5 Approval has been given for £1.842m to be vired to the National Cycling Centre from the Public Sector Decarbonisation Fund grant funded programme. Following budget approval, the Council entered into a contract for the refurbishment and carbon works only, whilst the enhancement works scoping was progressing through the design stages to RIBA Stage 4 and cost certainty was being secured from the supply chain. This work has now been completed and following some value engineering the cost difference from RIBA Stage 2 to Stage 4 still presents a budget shortfall of £1.578m (£160K of this relates to inflationary and market pressures). The virement will utilise grant funding to cover additional costs identified of £1.578m and also reduce borrowing of £0.264m

6.0 Prudential Performance Indicators

- 6.1 If the recommendations in this report are approved the General Fund capital budget will increase by £16.374m across financial years, as detailed in Appendix 1.
- 6.2 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.

7.0 Contributing to a Zero-Carbon City

7.1 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.

8.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

8.2 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

8.3 Improvements to services delivered to communities and enhanced ICT services.

(d) A liveable and low carbon city

8.4 Investment in cultural and leisure services and housing.

(e) A connected city

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

9.0 Key Policies and Considerations

(a) Equal Opportunities

9.1 None.

(b) Risk Management

9.2 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

9.3 The approvals set out in this report are in accordance with the Council's constitution.

10.0 Conclusions

10.1 The revenue budget of the City Council will increase by £2.822m, if the recommendations in this report are approved.

10.2 The capital budget of the City Council will increase by £16.374m, if the recommendations in this report are approved.

11.0 Recommendations

11.1 The recommendations appear at the front of this report.