

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

**Report to:** Executive – 16 November 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.

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:
  - Growth and Development - Back of Ancoats Mobility Hub. A capital budget virement of £3.739m is requested from the Inflation Budget.
  - Under powers delegated to the Executive, to approve the following changes to the Council's capital programme:
    - ICT - Jadu Forms Migration. A capital budget decrease of £0.179m is also requested and approval of a corresponding transfer of £0.179m to the revenue budget, funded by Capital Fund.
    - ICT – Remote Access Solution. A capital budget decrease of £0.095m is also requested and approval of a corresponding transfer of £0.095m to the revenue budget, funded by Capital Fund.
    - Highways Services – Patching Defect Repairs Programme Additional Funding. A capital budget increase of £2.758m is requested, funded by External Contribution

(2) Executive is also asked to note:

- The increases to the programme of £0.309m as a result of delegated approvals.
- The virements in the programme of £0.164m 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 £0.274m, 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 £2.484m 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 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

Report to the Executive 1<sup>st</sup> June 2022 – Capital Programme Update

Report to the Executive 29<sup>th</sup> June 2022 – Capital Outturn Report

Report to the Executive 22<sup>nd</sup> July 2022 – Capital Programme Update

Report to the Executive 14<sup>th</sup> September 2022 - Capital Programme Update

Report to the Executive 19<sup>th</sup> October 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 19<sup>th</sup> October 2022. The impact of changes to the Capital Budget from previous reports are detailed in Appendix 3.
- 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.
- 3.2 Growth and Development – Back of Ancoats Mobility Hub. £18.761M of grant funding has been received from Homes England for the construction of this innovative scheme that will provide sustainable mobility solutions and car parking to Ancoats Phase 3, thereby supporting the delivery of 1,500 new homes and accompanying jobs. The scheme is also a catalyst for the comprehensive public realm strategy approved by Executive in March this year.
- 3.3 The main contractor has been appointed under a two-stage design and build contract however, despite a thorough design review and cost management process over recent months, the project cost has risen to £24.780m. This

increase of £6.019m is driven primarily by construction inflation of 19.9% which totals £3.739m, and is being requested from the Inflation budget, as well as:

- amendments to the design following changes to operational assumptions about how the Hub will function (for example, the introduction of a layby on Poland St to service the delivery function of the Hub, and the adjustment of car park aisle widths to ensure more efficient traffic flow)
- fees and costs arising from a s73 planning application that is required to cater for the design changes that have been made. (For example, amendments to the exterior of the building are proposed to make more efficient use of materials, and to accommodate changes to the fire strategy)

3.4 These changes, and the wider design review and cost management process, have been made whilst maintaining the original vision and ambition of the Mobility Hub. Whilst the project cost has risen, the design management process has secured savings in the cost of construction and thereby avoided an increase greater than the £6.019M set out here. The main contractor will seek to mitigate further inflationary risk through early engagement with the sub-contractor market and ongoing management of design and construction risk as the project progresses.

3.5 It has been requested that a portion of the Homes England grant funding allocated for the Public Realm aspect of the Back of Ancoats project is reallocated to cover the additional Mobility Hub costs, this is subject to Homes England approval and is included in the £32.7m overall project budget approved in March 2022.

3.6 A capital budget virement of £3.739m is requested in 2023/24 from the Inflation Budget.

#### **4.0 Proposals Not Requiring Specific Council Approval**

4.1 The proposals which do not require Council approval and only require Executive approval are those which are funded by the use of external resources, use of capital receipts, use of reserves below £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 ICT - Jadu Forms Migration. All the forms used by residents (about 345) on Manchester City Council's website were developed on the Classic XFP Forms system which is now old and outdated. The third-party support for this platform will end February 2023, but the product will reach end of life and there is a need and urgency to upgrade the platform to the latest version to enable residents to continue to be able to use the website. A capital budget decrease of £0.179m is also requested and approval of a corresponding transfer of £0.179m to the revenue budget, funded by Capital Fund.

- 4.3 ICT – Remote Access Solution. Callsign (Citrix Remote Access) is a business critical 24/7/365 service, used by approximately 2066 users (Manchester City Council staff, Partners, Suppliers, and vendors) to provide multi-factor authentication for remote access to Council systems, authenticating users via Smartphone or a physical token. The Callsign contract has already been extended beyond its original term and is due to end in March 2023 This project will lead the replacement of Callsign, exploiting existing technologies, simplifying the user experience, and utilising existing licenses already procured as part of an enterprise agreement. A capital budget decrease of £0.095m is also requested and approval of a corresponding transfer of £0.095m to the revenue budget, funded by Capital Fund.
- 4.4 Highways Services – Patching Defect Repairs Programme Additional Funding. Additional funding has recently been awarded via the City Region Sustainable Transport Settlement (CRSTS) and approved by the Greater Manchester Combined Authority (GMCA). The funding will be utilised, in the first instance, to address the current funding pressure on the patching programme due to increasing construction and general inflation costs, but also to continue to reduce the backlog of defects and therefore, limiting our exposure to highways claims. A capital budget increase of £0.552m in 2022/23 and £2.206m in 2023/24 is requested, funded by External Contribution

## **5.0 Delegated budget Approvals**

- 5.1 There have been increases to the programme totalling £0.309m as a result of delegated approvals since the previous report to the Executive on 19<sup>th</sup> October 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 Citywide Tennis Improvements project utilising £0.164m from the Parks Development Programme (PDP) to match fund an external contribution from the Lawn Tennis Association (LTA). This is a joint project between the Council / Manchester Active and the LTA. It is proposed that the existing tennis facilities located across the city will be upgraded, with a number of improvements being made.

## **7.0 Prudential Performance Indicators**

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £2.484m 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 The approvals set out in this report are in accordance with the Council's constitution.

## **11.0 Conclusions**

11.1 The revenue budget of the City Council will increase by £0.274m, if the recommendations in this report are approved.

11.2 The capital budget of the City Council will increase by £2.484m, if the recommendations in this report are approved.

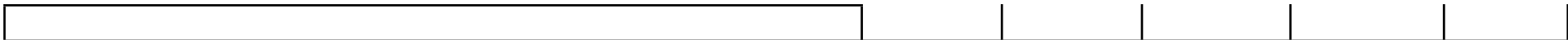
## **12.0 Recommendations**

12.1 The recommendations appear at the front of this report.



## Appendix 1

Requests for Adjustments to the Capital Budget Provision							
16th November 2022 EXECUTIVE							
Dept	Scheme	Funding	2022/23	2023/24	2024/25	Future	Total
			£'000	£'000	£'000	£'000	£'000
<b>Council Approval Requests</b>							
Growth and Development	Back of Ancoats Mobility Hub & Public Rm	Borrowing		3,740			3,740
Corporate Services	Inflation Budget	Borrowing		- 3,740			- 3,740
<b>Total Council Approval Requests</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Executive Approval Requests</b>							
ICT	Jadu Forms Migration	Borrowing reduction, funding switch via Capital Fund			- 179		- 179
ICT	Remote Access Solution	Borrowing reduction, funding switch via Capital Fund			- 95		- 95
Highways Services	Patching Programme Additional Funding	External Contribution	552	2,206			2,758
<b>Total Executive Approval Requests</b>			<b>552</b>	<b>2,206</b>	<b>-274</b>	<b>0</b>	<b>2,484</b>
<b>Total Budget Adjustment Approvals</b>			<b>552</b>	<b>2,206</b>	<b>-274</b>	<b>0</b>	<b>2,484</b>



**Appendix 2**

<b>Approvals under authority delegated to the City Treasurer 16th November 2022 EXECUTIVE</b>							
<b>Dept</b>	<b>Scheme</b>	<b>Funding</b>	<b>2022/ 23</b>	<b>2023/ 24</b>	<b>2024/ 25</b>	<b>Futu re</b>	<b>Total</b>
			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Highways Services	Manchester College Crossing Improvements	External Contribution	150				150
Neighbourhoods	Citywide Tennis Improvement Programme	External Contribution	159				159
							0
							0
<b>Total Delegated Approval Requests</b>			<b>309</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>309</b>

**Appendix 3**

<b>Capital Programme Budget 2021-25</b>				
<b>16th November 2022 EXECUTIVE</b>				
	<b>Approvals</b>			
	<b>Council</b>	<b>Executive</b>	<b>Delegated</b>	<b>Total</b>
	<b>£'000's</b>			
Capital Outturn 2021/22		969,370		969,370
Capital Update Report 1st June 2022	11,905			11,905
Capital Update Report 22nd July 2022	4,350	9,764		14,114
Capital Update Report 14th September 2022	5,230	11,144	-264	16,110
Capital Update Report 19th October 2022		1,550	1,794	3,344
Capital Update Report 16th November 2022			309	309
<b>Total Revised Budget</b>	<b>21,485</b>	<b>991,828</b>	<b>1,839</b>	<b>1,015,152</b>