

Manchester City Council Report for Resolution

Report to: Executive – 22 March 2023

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 2022/23 to 2025/26 capital budget were presented to the Executive on 15th February 2023.

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 – End User Experience Additional Funding. A capital budget increase of £0.326m is requested, funded by £0.185m Borrowing and £0.141m virement from ICT Investment Plan.

- (2) Under powers delegated to the Executive, to approve the following changes to the Council's capital programme:
 - Children's Services – Schools Maintenance 2023/24. A capital budget increase of £2.323m is requested, funded by Government Grant.
 - Public Sector Housing – Homes as Energy Systems. A capital budget increase of £1.102m is requested, funded by Government Grant.
 - Highways Services – Levenshulme and Burnage Active Neighbourhood. A capital budget virement of £0.530m is requested, funded by Borrowing.
 - ICT – Housing Case Management System Feasibility. A capital budget decrease of £0.119m is requested and approval of a corresponding transfer of £0.119m to the revenue budget, funded by Capital Fund.

- ICT – Market Feasibility. A capital budget decrease of £0.077m is requested and approval of a corresponding transfer of £0.077m to the revenue budget, funded by Capital Fund.
- Public Sector Housing – Social Housing Decarbonisation. A capital budget increase of £12.565m is requested, funded by £11.602m Social Housing Decarbonisation Grant and £0.963m RCCO from HRA revenue resources.

(3) Executive is also asked to note:

- The increases to the programme of £1.359m as a result of delegated approvals.
- The virements in the programme of £1.004m 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

1. Equal Opportunities Policy
2. Risk Management
3. Legal Considerations

Financial Consequences – Revenue

The revenue budget of the City Council will increase by £0.196m 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 £15.979m 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: carol.culley@manchester.gov.uk

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

Name: Tim Seagrave
Position: Commercial Finance Lead – Commercial, Capital and Treasury Management
Telephone: 0161 234 3445
E-mail: timothy.seagrave@manchester.gov.uk

Name: Kirsty Cooper
Position: Group Finance Lead – Commercial, Capital and Treasury Management
Telephone: 0161 234 3456
E-mail: kirsty.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 15th February 2023 – Capital Strategy and Budget 2023/24 to 2025/26.

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 15th February 2023.

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 Capital Budget report to the Executive on 15th February 2023. The impact of changes to the Capital Budget from previous reports are detailed in Appendix 3.

2.4 Note that where requests are made in the report to switch funding from capital to revenue and to fund the revenue spend from the Capital Fund, this is a funding switch from within the capital programme and will not have a negative impact on the Fund itself.

2.5 For the changes requested below, the profile of the increase, decrease or virement is shown in Appendix 1 for each of the projects.

3.0 City Council's Proposals Requiring Specific Council Approval

3.1 The proposals which require Council approval are those which are funded by the use of reserves above a cumulative total of £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 ICT – End User Experience Additional Funding. The End User Device Project began in 2020 to rationalise the number of end user devices within Manchester City Council used by officers and members in line with a newly developed End User Device (EUD) Strategy. During the first phase of the EUD project (in the midst of COVID) the original business case did not take account of issues encountered such as the need to repair of broken devices outside of warranty which resulted in taking additional stock from EUD stock to enable offices to get straight back to work.

3.3 Demand for devices is also higher than in the original business case. Reasons include the need to include cohorts such as social care student placements. The demand for desktop PCs was higher in areas such as front of house and business support teams where it was not appropriate to share a laptop. In total 700 additional devices were required. Budget contingency covered 250 devices but 450 more were required to fulfil the original project objectives. A capital

budget increase of £0.326m is requested, funded by £0.185m Borrowing and £0.141m virement from ICT Investment Plan.

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 external resources, 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 – Schools Maintenance 2023/24. The grant is 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 £2.323m in 2023/24 is requested, funded by Government Grant. This will be held as a capital budget to be allocated once the individual schemes are agreed.
- 4.3 Public Sector Housing – Homes as Energy Systems. The Council are working in in partnership with Procure Plus to install low carbon measures in over 700 homes in total across Greater Manchester. The project is part funded by European Regional Development Fund (ERDF) grant.
- 4.4 The ongoing project includes installing air source heat pumps, a small number of Solar PV panels and battery storage, and two deep retrofits. The council has been allocated additional ERDF for additional PV panels, battery capacity and air source heat pumps. A capital budget increase of £1.102m in 2023/24 is requested, funded by Government Grant.
- 4.5 Highways Services – Levenshulme and Burnage Active Neighbourhood. The project is delivering a range of safety features such as signalised crossing, zebra crossings, traffic calming and improvements to street lighting to encourage walking and cycling. The initial proposals were exclusive to the Levenshulme ward but as the project has been developed it has been extended to include parts of Burnage. The initial interventions have also been expanded from filters to now include a range of other safety features. Additional funding is now required for these changes.
- 4.6 The project is to be funded from underspends within Highways approved budgets, for the Great Ancoats Street scheme and Medlock Street Roundabout scheme which related to lower statutory undertaker diversion costs than expected, alongside an underspend against the risk funding for Great Ancoats Street. A capital budget virement of £0.530m is requested, funded by Borrowing
- 4.7 ICT – Housing Case Management System Feasibility. The current Housing management system is used by Housing Services staff, Homelessness and the Right to Buy teams. It is the most complex system used in Housing Services, is public facing and used by residents to access Services. The application is being retired by the Supplier Aaeron in January 2025. A feasibility business case is

required to map the requirements of the Housing Service and go out to market to find a suitable replacement. A capital budget decrease of £0.119m is requested and approval of a corresponding transfer of £0.119m to the revenue budget, to allow the feasibility study to take place and will be funded by Capital Fund.

- 4.8 ICT – Market Feasibility. The usage of the main application utilised by Markets was stopped when the suppliers company went bankrupt, and the service is now back to using contingency measures such as spreadsheets and paper. Work is underway to replace the Markets application and use this as an opportunity to rationalise other Markets systems into one enterprise class solution. This will help the Markets Service become more digital, agile and effective whilst improving the standard of service to Market Traders. The feasibility funding will enable the requirements of the Markets Service to be mapped out and go out to market to find a suitable replacement. A capital budget decrease of £0.077m is also requested and approval of a corresponding transfer of £0.077m to the revenue budget, funded by Capital Fund.
- 4.9 Public Sector Housing – Social Housing Decarbonisation. Manchester has committed to becoming a zero-carbon city by 2038 at the latest. With over a quarter of the city’s carbon emissions generated by residential properties (largely due to space heating and hot water), urgent progress is required towards improving the energy efficiency of the housing stock and moving away from fossil fuel-based heating. The Council has bid for Social Housing Decarbonisation Fund (SHDF) funding from BEIS (now DESNZ), which will complement existing and additional capital funding from the HRA to deliver the programme of work to Manchester’s council housing. Further HRA funding will be requested to progress additional works not yet in the programme when funding is secured.
- 4.10 The Council’s programme, supported by SHDF, involves 6 distinct and varied projects, including: seven High Rise blocks, Maisonettes, Heritage Properties, Individual Properties (which require boiler replacement) and a trial Void Project (considering approach to retrofit works when a property becomes void), all of which need to be delivered by September 2025. The SHDF funding will enable the delivery of housing retrofit alongside Decent Homes and other essential works such as those relating to building safety and fire safety compliance. The SHDF funding provides a much-needed contribution to the costs of retrofitting the Council’s own housing stock and assist in building internal resources, experience and skills and enhancing the ability to deliver more zero carbon works over the coming years. A capital budget increase of £7.539m in 2023/24 and £5.026m in 2024/25 is requested, funded by £11.206m Social Housing Decarbonisation Grant and £0.963m RCCO from HRA revenue resources.

5.0 Delegated budget Approvals

- 5.1 There have been increases to the programme totalling £1.359m as a result of delegated approvals since the previous report to the Executive on 18th January 2023. 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 the acquisition of Unit 1 Naval Street for £0.525m from the Strategic Acquisitions budget. The unit forms part of a wider plot known as Plot A which, when assembled, will become a developable site at the gateway of 'Ancoats Phase 3'. As the City Council is in ownership of Unit 2 and 3 Naval Street, acquiring Unit 1 is classed as a strategic acquisition to complete the ownership of the block which can be developed as a separate entity if necessary.
- 6.3 An allocation from the Parks Development Programme of £0.079m for Heaton Park Overflow Car Park. The request will progress the scheme design to RIBA Stage 2. This involves delivering Project Preparation, Project Brief and Concept Design Services on the Heaton Park Lakeside South location to increase overall site parking capacity and traffic management and improve south boundary access and connectivity to Lakeside location.
- 6.4 Funding was approved for SHDF Mobilisation utilising £0.400m of budgets already approved for Housing Operations projects. In November 2022, a bid was submitted to GMCA as part of their consortia bid to BEIS in relation to Wave 2.1 of the Social Housing Decarbonisation Fund (SHDF). This involved a bid for £11.6m Grant for the delivery of a SHDF Programme of 7 Projects involving 1,603 properties. Most of the Council's SHDF projects are already included within the Capital Programme. As part of the procurement strategy, the procurement approach/arrangements alongside the routes to market have been considered. It has been concluded that, apart from one of our projects (Anita and George Street), Retrofit Co-ordination (RC) and Retrofit Assessment (RA) should be separate from Design and Works.
- 6.5 This request will enable the service to undertake and procure RC/RA and related activity across all or a proportion of 6 of the 7 projects: involving 606 of the 1,603 properties within the Programme. It will also enable completion of some consultancy and design work in relation to 2 projects: Anita and George Street and the Newton Heath High Rise projects.

7.0 Prudential Performance Indicators

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £15.979m 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 £0.196m if the recommendations in this report are approved.

11.2 The capital budget of the City Council will increase by £15.979m, if the recommendations in this report are approved.

12.0 Recommendations

12.1 The recommendations appear at the front of this report