

Manchester City Council Report for Resolution

Report to: Executive – 31 May 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:
 - Public Sector Housing – Social Housing Decarbonisation Boiler Replacement. A capital budget increase of £14.095m is requested, funded by HRA Reserve.
 - Public Sector Housing – Operational Housing Programme 2023-24. A capital budget increase of £16.769m is requested, funded by HRA Reserve.

- (2) Under powers delegated to the Executive, to approve the following changes to the Council's capital programme:
 - Private Sector Housing – Home Upgrade Grant (HUG) 2. A capital budget increase of £10.0m is requested, funded by Government Grant.
 - Growth and Development - Back of Ancoats Mobility Hub & Public Realm. A capital budget increase of up to £2.3m is requested, funded by Capital Receipts.

- (3) Executive is also asked to note:
 - The increases to the programme of £2.325m as a result of delegated approvals.
 - The virements in the programme of £0.286m 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 not be impacted 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 £43.164m 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 15th February 2023 – Capital Strategy and Budget 2023/24 to 2025/26.
- Report to the Executive 22nd March 2023 – Capital Programme Update Report

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 Public Sector Housing – Social Housing Decarbonisation Boiler Replacement. 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 been successful in securing £11.6m Social Housing Decarbonisation Fund (SHDF) funding from BEIS (now DESNZ), which will complement existing and additional capital funding from the HRA to deliver a programme of work to Manchester's council housing.

3.3 The SHDF grant will contribute towards 6 major schemes, the largest of which is the Boiler Replacement programme, for which we are now requesting the

internal match funding needed to progress this project. This project involves just over 1000 individual low-rise properties within the Council's housing stock where instead of replacing a gas boiler, Heat Pumps will be installed, together with insulation, ventilation and other necessary works. We have 6,000 properties in our housing stock where the gas boilers are nearing the end of their useful life and require replacement over the next 5 years. 400 boilers were due for replacement in 2022/23 and 850 in 2023/24. This project enables the Council to move from gas to renewable forms of heating for the properties which would come up for replacement within the next 2 years as well as bring forward other properties. The grant contribution enables us to accelerate our replacement of gas boilers, to deliver a more expensive, but very essential option to gas boilers, as we move towards our net zero target in housing. A capital budget increase of £2.550m in 2023/24 and £11.545m in 2024/25 is requested, funded by HRA Reserve.

- 3.4 Public Sector Housing – Operational Housing Programme 2023-24. The continuing programme will deliver essential health and safety work, security improvements and environmental improvements across the Council's Housing estate. It will respond to new fire safety legislation through undertaking fire safety works and further work on Fire Risk Assessments. 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, lift replacement, 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. Individual schemes within the programme will be subject to further approvals. A capital budget increase of £8.646m in 2023/24, £7.155m in 2024/25 and £0.968m in 2025/26 is requested, funded by HRA Reserve.

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 Private Sector housing – Home Upgrade Grant (HUG) 2. In December 2022, the Council were advised that they had been successful in their bid for £10.4m HUG2 funding from BEIS (now DESNZ). This funding, to be delivered by the end of March 2025, provides grant to Local Authorities for owner occupied and private rented sector off gas grid (i.e., no have mains gas for heating) and low energy performance (EPC D-G) properties occupied by fuel poor households. Taking a fabric first approach, it provides energy efficiency and clean heating upgrades to improve energy performance of properties.

- 4.3 The Councils proposals involve the improvement of 500 properties. Given the eligibility criteria, this is likely to involve a range of property types, including those with electric heating systems, low and medium rise properties, and involve a mixture of owner occupied and (small portfolio) private rented properties. Approval to spend up to £0.400m to mobilise this programme has previously been approved. This £0.400m has now been committed and in part been spent. A capital budget increase of £4m in 2023/24 and £6m in 2024/25 m is requested, funded by Government Grant.
- 4.4 Growth and Development - Back of Ancoats Mobility Hub (AMH) & Public Realm. The Ancoats Mobility Hub (AMH) and the associated public realm forms a critical part of the ongoing regeneration of Ancoats and the aspirations to be a cleaner, greener city. Housing developments in the area will not have dedicated parking and will use the mobility hub. The public realm is essential to create the environment for the planned 1,500 homes. The AMH will be an integral part of prioritising people over vehicles and the new movement strategy with improved routes for walking and cycling link up with other active travel improvements across East and North Manchester. The design of the development plots and the narrowing of historic streets within this conservation area is complemented by a new Ancoats Green at the heart of the neighbourhood. All of this “off-site infrastructure” is part of a single place making plan with a coherent network of streets and spaces and the AMH is the catalyst for the regeneration and ultimate completion of Ancoats. This builds on the internationally recognised Ancoats and New Islington regeneration in phases 1 and 2.
- 4.5 Before work can begin on site with the AMH the fire strategy for the building needs to be agreed and Building Control have advised that the green wall is a significant risk item that requires a more detailed assessment, and the building cannot be classified as an ‘open sided’ car park due to the green wall design. In order to ensure the resilience of the building for means of escape and fire service access, the need for the design will need to be enhanced to provide improved fire protection for the structure to enable it to be approved by Building Control. Additional treatment is now required to the steel frame to increase the fire protection to the structure from 15 to 60+ minutes resulting in increased cost to the project. The funding will meet the cost of providing the essential changes required to the Ancoats Mobility Hub to ensure the full scheme can be delivered, without impacting on the delivery of the wider public realm project. The additional treatment works will cost £2.3m. Whilst there is sufficient funding in the overall budget including that for public realm, additional funding is required to ensure that the public realm elements can be delivered in full. Homes England have made it clear that their grant funding for the scheme is at risk if MCC do not deliver the full public realm elements and that the grant is contingent on the delivery of the full scheme. A capital budget increase of up to £2.3m in 2023/24 is requested, funded by Capital Receipts.

5.0 Delegated budget Approvals

- 5.1 There have been increases to the programme totalling £2.325m as a result of delegated approvals since the previous report to the Executive on 22nd March 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 £0.057m to be allocated from Highways Patching budgets for additional repaving works outside Sinclair's Oyster Bar, adjacent to Exchange Square, following the re-paving of the main square of Exchange Square in 2022.
- 6.3 An allocation from the Parks Development Programme of £0.121m for Citywide tennis Improvements has been approved. This is a joint project between the Council/Manchester Active and the Lawn Tennis Association (LTA). Existing tennis facilities located across the city will be upgraded, with a number of improvements being made.
- 6.4 Funding was approved for the Wythenshawe Cycling Hub, utilising £0.108m from Parks Development Programme budget. The popularity of the facility since its opening in September 2022 has identified areas around the site that need additional investment to improve the visitor experience, visitor safety, encourage a longer dwell time, and improve access to park facilities

7.0 Prudential Performance Indicators

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £43.164m 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 not be impacted if the recommendations in this report are approved.

11.2 The capital budget of the City Council will increase by £43.164m, if the

recommendations in this report are approved.

12.0 Recommendations

12.1 The recommendations appear at the front of this report.