

Manchester City Council Report for Information

Report to: Executive – 28 June 2023
Audit Committee – 25 July 2023

Subject: Capital Outturn 2022/23 and Capital Programme Update

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

- (a) The outturn of capital expenditure for 2022/23.
- (b) The financing of capital expenditure for 2022/23.
- (c) The major variances between the 2022/23 outturn and the previous Capital Programme monitoring report submitted in February 2023.
- (d) The revised capital programme budget for 2023/24 and subsequent years as a result of the review of the programme following outturn.

Recommendations

The Executive is requested to:

- (1) To 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) To approve, and recommend that Council approve, the budget changes to the Council's capital programme detailed in section 11 and set out in Appendix D, including the proposed additional delegation for invest to save schemes.
- (3) Note the outturn of capital expenditure 2022/23 was £403.6m.
- (4) Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2023.
- (5) Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2022/23 including the use of £94.6m Grants and Contributions, £56.2m Capital receipts, £28.3m Revenue funding and £224.6m Borrowing.
- (6) Note the continued inflationary pressures being experienced across the construction industry and the requirement to increase the inflation contingency by £22.4m from the remaining £7.6m to £30m, funded from borrowing.

Wards Affected: All

Environmental Impact Assessment - 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.

Manchester Strategy outcomes	Summary of the contribution to the strategy
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

Financial Consequences – Revenue

All Revenue consequences are included in the Revenue Budget Outturn report.

Financial Consequences – Capital

The Capital Outturn 2022/23 for Manchester City Council is £403.6m compared to the revised budget of £564.2m, excluding the contingent budgets, submitted to Executive in February 2023.

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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
- Report to the Executive 31st May 2023 – Capital Programme Update Report

1. Introduction

1.1. The purpose of the report is to:

- Inform the Executive of the capital outturn position for 2022/23 against the approved budget 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 2023/24 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. Attached to the report are the following appendices:

- Appendix A – the update on the major projects and explains the variances to budget for 2022/23.
- Appendix B - details of other material variations in the programme in 2022/23
- Appendix C - virements requested to reflect the revised budget forecast.
- Appendix D - the adjustments to the capital budget provision being requested in this report.
- Appendix E - the outturn position for the Council's prudential indicators.
- Appendix F - 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. Capital Programme Outturn 2022/23

2.1. The outturn for the Manchester City Council Capital Programme in 2022/23 was £403.6m. This represents one of the largest deliveries of capital spend in the Council's history and is much higher than in previous years. It represents the continued significant investment in Manchester with over 220 live projects progressing during the year.

2.2. During 2022/23 the Council has delivered several new schemes including; Gorton Health Hub, a new Health and Care Hub in the heart of Gorton, including a GP practice, rooms for Manchester Adult Education services (MAES), Gorton Library, mental health services and a Job Centre Plus; Co-op Academy Belle Vue Secondary school delivering 1,200 new school places; Wythenshawe Cycling Hub, including a learn to ride area, 3.1km of family trails and 1.5km of skills trails; Mayfield Park and Blakely Cremator replacements.

2.3. Other major projects have continued during 2022/23 including the Our Town Hall Project, Factory International, the Highways Investment Programme, major refurbishments of Abraham Moss Leisure Centre, Manchester Aquatics Centre and the National Cycling Centre, the Private and Public Sector Housing programmes, ensuring sufficient school places through the Schools Basic Need

Programme and the continuation of the Council's ICT investment programme. More information can be found on these individual projects in Appendices A and B.

- 2.4. The outturn by directorate is shown in the table below. The main variances relate to Our Town Hall, The Factory, Housing Infrastructure Fund, Carbon Reduction Programme and Public Sector Decarbonisation and This City Housing and are set out in more detail in the following sections.

Manchester City Council Programme	2022/23							
	Current Budget	Forecast			Outturn Q4	Variance to current budget	Variance Q3 to Q4	
		Q1	Q2	Q3				
	£'m							
Highways	54.2	40.5	39.9	37.5	35.7	(18.5)	(1.8)	
Neighbourhoods	84.1	82.9	86.1	73.3	58.3	(25.9)	(15.0)	
The Factory and St John's Public Realm	79.4	46.4	79.4	60.9	56.3	(23.1)	(4.6)	
Growth and Development	120.2	97.6	95.3	84.9	96.3	(23.9)	11.4	
Our Town Hall Refurbishment	82.3	76.5	74.9	68.7	59.9	(22.4)	(8.8)	
Housing – General Fund	27.4	24.1	16.3	17.4	20.4	(7.0)	3.0	
Housing – Housing Revenue Account	45.9	34.8	40.8	32.4	30.2	(15.7)	(2.2)	
Children's Services	47.5	42.6	44.9	43.6	31.6	(15.9)	(12.0)	
ICT	7.9	4.9	4.8	4.3	2.9	(5.0)	(1.4)	
Corporate Services	15.3	15.1	15.2	15.0	12.0	(3.3)	(3.0)	
Total (exc. contingent budgets)	564.2	465.4	497.6	438.0	403.6	(160.7)	(34.4)	
Contingent Budgets	15.1	41.4	15.4	5.8	0.0	(15.1)	(5.8)	
Total	579.3	506.8	513.0	443.8	403.6	(175.8)	(40.2)	

- 2.5. The capital programme covers multiple years and the 2022/23 outturn impacts on the future capital programme forecasts for 2023/24 to 2026/27 as some spend is rephased across those financial years. The future years forecast is set out in

section 9 below, which has been adjusted for the reprofiling of capital spend shown in the table above and any underspends with any associated funding released for other investment priorities.

- 2.6. As in previous updates, the report focuses on the top 10 projects which are summarised in Appendix A. These projects represent 49.5% of the total programme. Appendix B provides details of any other material changes and variances in other parts of the programme since the last report to Executive.
- 2.7. As in previous years, the programme contains some budgets yet to be allocated to specific projects but reserved for a particular purpose, examples include the Education Basic Need funding and the budget for inflationary 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. These requests are then subject to approval through the Council's capital approval process.

3. Social Value

- 3.1. It is important that the capital investments made maximise the benefit to Manchester businesses and residents. Every capital project is required to consider the social value which could be realised through procurement or the creation of the asset. This is one of the key requirements of every capital business case brought forward. By capturing the expected social value benefits, this allows projects to monitor their social value output on an ongoing basis. In some cases, such as where social value is monitored with groups like the North West Construction Hub, this is done on an aggregate basis rather than project by project.
- 3.2. The PlanBEE Manchester Level 4 apprenticeship scheme continues to collaborate with employers on the Our Town Hall Project. An additional four employer placements will begin in September to accompany the current cohort on the project, with placements supported by both design team consultants and the Lendlease supply chain. Work placement opportunities continue to be delivered to Manchester residents via a number of different mechanisms – namely with the continuation of a bespoke placement scheme for SEND students at North Ridge, Blackley. Further, placements are being provided throughout the summer by employers across the project team. Employers continue to collaborate on the project podcast, which provides residents with the opportunity to hear from heritage tradespeople about their skills and career pathways; this is as well as tradespeople now regularly using the Artisan Studio workspace in Albert Square, providing the passing public with an opportunity to see inside the project.
- 3.3. Highways are currently using the Social Value Portal to track, monitor and report social value delivery across the service. During the financial year 2022 - 2023, there has been significant social value provided by various contractors across the service. 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 recent highlights include:

Major Projects:

- 35 hours of staff volunteering, at the Barlow Moor Community Association in Chorlton. The staff volunteering hours helped to facilitate the organisation's annual community festival 'Merseyfest'
- 10 hours of staff at volunteering at St Margaret's primary school Withington Road, Whalley Range, Manchester, M16 8FQ. Staff delivered a 4-hour road safety workshop to 90 year 6 students.
- In-kind donation of £2,000 to The Mustard Tree

Network Management:

- Donation of raffle prizes worth £1,274 to St John's RC Primary School, Chorlton.
- 10 hours of staff volunteering time dedicated to supporting local Manchester residents back into employment. The company attended an apprenticeship open day hosted by Transport for Greater Manchester.
- In-kind donation of £2,500 to a local homelessness charity, 'Don't Walk Past'.
- Purchase and delivery of two 12ft x 6ft football goals to Collyhurst Youth Football Club who needed football nets for their girl's football team

3.4 Housing operations continue to support several trainees in the workplace through their contractors.

4. Contributing to a Zero-Carbon City

4.1. capital expenditure business cases are 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.

4.2. 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.

4.3. Carbon reduction has been a focal point for the 2022/23 capital programme, with projects such as Public Sector Decarbonisation scheme, the purchase of electric refuse vehicles and tree planting all continuing.

5. Capital Financing 2022/23

5.1. The funding of the 2022/23 Capital Programme is summarised below:

	£m	%
Capital Expenditure	403.6	
Financed by:		
Government Grants	79.1	19.6%
Other External Contributions	15.5	3.8%
Capital Receipts	56.1	13.9%
Revenue Funding	5.0	1.2%
HRA Major Repairs Reserve	23.3	5.8%
Borrowing	224.6	55.7%

- 5.2. The Executive is asked to note the following decisions made by the Deputy Chief Executive and City Treasurer regarding the funding of the capital expenditure incurred in 2022/23.
- 5.3. Any unused grant, subject to conditions, has been carried forward into 2023/24 and will be matched against future spend. 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 2022/23. Similarly, any external contributions that have not been used will be carried forward into 2023/24.
- 5.4. The balance of available capital receipts carried forward from 2021/22 was £114.4m. A further £95.7m receipts were received in 2022/23 including pooled receipts from the sale of Council housing. Drawdown from capital receipts was £56.1m leaving a balance for use in future years of £154.0m, of which £94.3m relate to Housing. Any new receipts generated in 2023/24 will be available for use in future programmes and added to the amount available. The Housing receipts are expected to support the achievement of the Council's housing strategy, and plans for their use will come forward in due course.
- 5.5. Revenue contributions to capital expenditure were used to finance expenditure of £5.0m, including works on the Factory Public Realm (being a contribution from business rates income from the area), House of Sport, various Highways projects and the HR and Finance System replacement project.
- 5.6. The Major Repairs Reserve funds expenditure on the HRA capital programme. The use of this reserve includes self-financing revenue from the HRA revenue budget.
- 5.7. Long term borrowing of £224.6m has been used to fund the programme. This borrowing figure represents the amount to be funded by borrowing in the long term and is not necessarily borrowed in year. The Council's approach to actual borrowing drawn down in year is governed by its Treasury Management strategy which has taken into account the volatility of interest rates and the base rate rises. A total of £120m of long-term external debt was borrowed in 2022/23.
- 5.8. The Council has to set aside part of its revenue budget for the repayment of its

long term debt, this is known as the minimum revenue provision (MRP). The MRP for 2022/23, excluding PFIs and leases, was £32.7m, and has been funded from the Council's capital financing budget.

6. Inflation Impact on the Capital Programme

- 6.1. Inflation in the UK in the 12 months to April 2023, as measured through CPI, is currently 8.7%, down from 10.1% in March and from a recent peak of 11.1% in October 2022. The average rate in 2022/23 was 10.0%. Whilst this shows a downward trend which is expected to continue, the figure remains elevated.
- 6.2. The April 2023 statistics of building materials and components from the Department for Business and Trade (formerly BEIS) noted that the price index for all construction works was 8.7% higher than the same time the previous year. This followed an increase of 10.6% in February 2023 compared to February 2022. This included significant price increases for some construction materials, such as thermal or acoustic insulating materials (35.4%), screws etc (33.2%) and gravel, sand, clays and kaolin (Including aggregate levy) (29.9%). However, some prices have started to come down from their elevated levels with some significant price decreases for example imported sawn or planed wood (-17.9%), concrete reinforcing bars (-13.6%) and particle board (-11.7%). Overall inflationary pressures remain a significant risk to the capital programme. The contingent budget now stands at £7.6m which is unlikely to cover the inflationary pressures felt.
- 6.3. It is therefore proposed to increase the inflation budget to £30m, requiring a budget increase of £22.4m, funded from borrowing. This would be equivalent to c. 3.7% of the approved capital budget for 2023/24 onward, and reflects the persistent nature of the inflation noted above.
- 6.4. The impact of inflation on the capital programme will continue to be managed, monitored and reported to members.

7. General Programme Risks

- 7.1. The Capital Budget is prepared on the best estimate of the start date and spend profile for each scheme which is likely to change as the scheme develops. The project cash flow will be variable throughout the life of a project, and therefore the forecast expenditure in each financial year will also vary. This report therefore considers the total life and cost of schemes and the risks associated with their development. All projects carry risk such as delivery risk, third party risk and market risk, including build cost and inflation.
- 7.2. 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.

8. Capital Programme Re-phasing and Variations

- 8.1. 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 2023/24 to 2026/27. The cumulative impact of these adjustments are shown in the table below. The future programme will be reviewed throughout 2023/24 to reflect changes to the proposed profile of spend.

Proposed Capital Programme variations 2022/23 to 2026/27

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total Programme £m
Revised Capital Budget (Strategy Feb 2023 and subsequent additions)	579.4	403.2	134.7	19.0	0.0	1,136.0
Forecast Re-profile	-204.6	29.5	159.0	15.1	1.0	0.0
Cost Variations	-2.8	0.0	0.0	0.0	0.0	-2.8
Proposed Capital Budget	371.9	432.7	293.7	34.1	1.0	1,133.2
Accounting Adjustments	27.9	0.0	0.0	0.0	0.0	27.9
Budget increases as per Section 11	5.0	11.3	26.1	24.1	0.0	66.4
Under/Overspends	-1.2	0.7	1.4	0.0	0.0	1.0
Total	403.6	444.7	321.2	58.2	1.0	1,228.7

- 8.2. Within the 2022/23 outturn position there is £27.9m of expenditure relating to accounting adjustments, specifically the novation of the Civic Quarter Heat Network loan and equity to the newly established trading company, of which the Council is the sole shareholder, and a land swap required as part of the Victoria North development. These accounting adjustments have equal income entries so that the net financial impact on the Council is nil. As such, the adjustments did not need to be included in the budget and were completed in line with the appropriate approvals.
- 8.3. The table above includes forecast under and overspends in the existing programme, which are being actively managed. If forecast overspends cannot be mitigated within the project budget, they will be subject to future budget approvals.
- 8.4. The table also includes new proposals, which are detailed in section 11 below. These include the new allocation of Disabled Facilities Grant and the new allocation of Education Basic Need as in paragraph 11.3.

Virements in 2022/23

- 8.5. A number of schemes require virements in 2022/23 and future years, as shown in Appendix C. Examples include under and overspends in the Schools Maintenance Programme which will be vired back to the unallocated budget to be utilised in future years, and virements between projects within the Highways and Housing Revenue Account portfolios.
- 8.6. The Council is recommended to approve virements over £0.5m within the capital programme as outlined in Appendix C.
- 8.7. The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in Appendix C.
- 8.8. As shown in the table above, there are a small number of budget reductions that can be removed from the Capital Programme which total £2.8m. In the main this relates to the Rugby Football League project – Beswick Hub and more information can be found in Appendix B, paragraph 1.15. When budget reductions relate to grant funded projects efforts will be made to apply the grant to other relevant schemes. In this instance, the scheme was to be funded by borrowing and will release borrowing capacity for another scheme.

9. Capital Programme Forecast for 2023/24 and future years

- 9.1. If the virements set out above are approved, the revised capital programme forecast for 2023/24 and future years is shown in the table below:

Manchester City Council Programme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Highways	41.0	19.0	8.7	0.0	68.7
Neighbourhoods	46.4	7.1	2.8	0.0	56.3
The Factory and St John's Public Realm	23.1	0.0	0.0	0.0	23.1
Growth and Development	105.9	70.7	6.2	0.0	182.8
Town Hall Refurbishment	79.7	62.1	0.0	0.0	141.8
Housing – General Fund	43.9	35.7	9.8	0.0	89.4
Housing – Housing Revenue Account	59.9	60.0	6.7	1.0	127.6
Children's Services	34.2	7.7	0.0	0.0	41.9
ICT	5.1	0.0	0.0	0.0	5.1
Corporate Services	4.7	0.5	0.5	0.0	5.7
Total (exc. Contingent budgets)	444.0	262.8	34.7	1.0	742.5

Contingent Budgets	0.8	58.4	23.5	0.0	82.7
Total	444.7	321.2	58.2	1.0	825.2

9.2. The figures in the table include the recommendations in Section 11 below.

9.3. The 2023/24 forecast reflects the continuation of a number of significant schemes and some new starts such as the Ancoats Mobility Hub and Varley Street Secondary School. Contingent budgets have been shown separately and include the inflation fund and other unallocated programme budgets such as Education Basic Need. Specific projects funded through the contingent budgets are brought forward through the Council's capital approval process.

10. Capital Resources

10.1. 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 the optimum value for money is achieved.

	Draft Funding 2023/24 £m	Draft Funding 2024/25 £m	Draft Funding 2025/26 £m	Draft Funding 2026/27 £m	Draft Funding All Years £m
Grants	116.6	77.0	30.9	0.0	224.5
Contributions	29.2	11.5	8.7	0.0	49.4
Capital Receipts	66.1	23.4	10.3	0.0	99.8
Revenue Contributions to Capital	42.9	54.3	3.6	1.0	98.5
Capital Fund	4.5	1.3	0.5	0.0	6.3
Borrowing	185.4	153.7	4.2	0.0	346.7
Total	444.7	321.2	58.2	1.0	825.2

10.2. Modelling the Council's future cash flow based on the above funding assumptions above, the forecast revenue use of reserves and anticipated changes to working capital, provides an assessment of the ongoing affordability of the forecast capital programme. The modelling shows that the programme remains affordable and proportionate within the revenue budget available including reserves, and the required borrowing is sustainable at forecast interest rates. The modelling is based on a significant number of variables, including the timing of future borrowing and forecast interest rates so the position is subject to change.

10.3. All capital financing decisions are made to maximise the resources available to the Council and fund in the most efficient way.

11. Capital Programme Budget changes

11.1 The capital programme continues to be updated on a rolling basis throughout the financial year with new schemes brought forward through the Capital

Approvals Process. The following projects have been brought forward since the previous update to Executive. A summary of the schemes, funding and spend profile can be found at appendix D and are set out below:

11.2 *For Council approval:*

- ICT - Council Chamber AV Equipment. The proposal is to replace the existing specialist Audio Visual (AV) equipment in the Council Chamber. The AV infrastructure was last refreshed in 2014 as part of the Town Hall Refurbishment and subsequent relocation of services to other sites. The AV solution is critical to Council's ability to fulfil legal and democratic obligations. The equipment has been identified as high risk as the heart of kit (Televic Controller) was declared end of life 8 years ago. Since then, this equipment is only supported on a 'best endeavors' basis the external supplier via an extended support contract. The failure of the equipment could lead to reputational damage as well as significant disruption to the Council. A capital budget increase of £0.520m is requested, funded by Borrowing.
- Contingency – Inflation. As noted above, it is proposed to increase the inflation contingency by £22.4m, funded by borrowing, reflecting the persistent inflationary pressures that the capital programme is continuing to experience.

11.3 *For Executive approval:*

- Growth and Development – Shared Prosperity Fund (SPF) – Communities and Place. The SPF is a government funding stream intended to replace EU structural/regeneration funds. SPF funding is allocated under three investment priorities: Community and Place, Supporting Local Business; and People and Skills. The Council has been allocated funding within the 'Communities and Place' (C&P) theme. Specific projects (subject to approval) are all designed to improve and enhance district and local centres across the city, making them better places to live, work and visit and to create the conditions for further public and private investment. A budget increase of £4.3m is requested, funded from External Contributions.
- Highways Services – Victoria North Eastern Gateway Walking and Cycling Scheme. The project will deliver a continuous walking and cycling route, linking neighbourhoods in the north and east to the fringe of the city centre. Work has already commenced with construction at Pollard Street to Redhill Street ongoing. This request will complete the construction of a new bridge over the Ashton Canal and two Cyclops junctions at junction of Rochdale Road/ Thompson Street and Oldham Road/Thompson Street with a segregated cycle lane along Thompson Street. The scheme is subject to GMCA approval. A budget increase of £5.7m is requested, funded from an External Contribution via the Mayors Challenge Fund.
- Private Sector Housing - Disabled Facilities Grant (DFG). The Council has been awarded additional DFG by DLUHC for home adaptations for people with disabilities. There are no timescales for spending the grant, other than

DLUHC requests it be spent at the earliest opportunity. A budget increase of £8.483m is requested, funded from Government Grant.

- Corporate Estates – Family Time Refurbishment. The project will deliver significant service improvement for the Family Time Service which oversees family contact. The proposal is to improve two Council owned assets and demolish another in poor condition (releasing a site for future development). The buildings are in a poor state of repair, resulting in a poor experience for users of the service, local residents and staff. The works will improve the environment, making it more professional for the parents, social work staff and children who use the buildings. The scheme costs £2.7m and will be funded through a capital budget increase of £1.2m funded from Capital Receipts, and a virement of £1.5m from the approved Asset Management Programme budget.
- Children’s Services – Education Basic Needs. The Council receives grant funding each year from the Department for Education for maintenance to the school estate. The council has received £23.5m for 2025/26, to be used to address condition needs identified in the Council’s maintained schools which includes community, voluntary controlled and foundation schools. There was also £0.331m additional funding for 2022/23 due to the original increase being based on an estimate. A budget increase of £23.865m is requested, funded from Government Grant.
- Private Sector Housing – Local Authority Housing Fund. In March 2023, Council approved a £6.675m budget in the capital programme to utilise £3.267m Government Grant, match funded by the Council up to £3.408m funded by Borrowing. The scheme aims to acquire and refurbish 30 family homes (2 to 4+ beds) for families who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes. At the time the budget was established the expectation was this would be a temporary accommodation model, but it has been agreed that it can be permanent accommodation and will form part of the Council’s housing stock and must sit within the HRA. A capital funding switch of £3.408m is therefore being requested, reducing borrowing and funding from HRA Reserves.

11.4 The Executive is recommended to approve the changes to the capital programme as outlined in Appendix D.

Delegated Capital Budget Approvals

11.5 Within the Capital Strategy agreed by the Council in March 2023 as part of the budget, financing principles for new capital investment proposals were agreed including that if a project will generate a robust net income stream or revenue saving that is sufficient to meet the associated capital financing costs and it can be funded from borrowing on an invest to save basis, then it should be supported.

11.6 It was also agreed that the Deputy Chief Executive and City Treasurer could approve and add spend to save projects to the capital budget up to a maximum

of £5m per annum, in consultation with the Executive Member for Finance and Human Resources. This is a long-standing delegation which has not been increased in line with rising capital costs, designed to support agile decision making where the risk to the Council is relatively low.

- 11.7 There is a risk that, given the agreed funding principles, the capacity to add invest to save schemes to the programme in a timely manner will be utilised quickly and therefore further full Council approvals would be needed. In the current financial environment of rising interest rates this could impact on the Council's ability to act quickly where there are opportunities or requirements to undertake investment where the associated capital financing costs can be funded from additional income that the proposed asset will provide.
- 11.8 It is therefore proposed to delegate authority to the Executive to add qualifying invest to save projects to the capital budget of a further £10m per annum. This would provide a total delegated power of £15m per annum, with any approvals taken under it being reported to Council as part of the regular capital monitoring reports.

12. Investment in the translation and industrialisation of biomarkers in Manchester

- 12.1. In 2018 the Council approved an equity investment in a new business, APIS Assay Technologies Limited, to enhance and diversify health and life science research, and ultimately to improve health and well-being outcomes for residents.
- 12.2. As a shareholder the Council receives APIS's business plan for approval. Given the commercially sensitive nature of the business plan, it is the subject of a separate Part B report on the agenda for this meeting.

13. Prudential Indicators

- 13.1. The prudential indicators as at the end of March 2023 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.