

## **Manchester City Council Report for Information**

**Report To:** Executive – 14 February 2024  
Resources and Governance Scrutiny Committee – 26 February 2024

**Subject:** Capital Strategy and Budget 2023/24 to 2026/27

**Report of:** Chief Executive and Deputy Chief Executive and City Treasurer

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### **Summary**

The purpose of the report is to present the 2023/24 capital programme and forward commitments, alongside the Capital Strategy for the City Council, setting out the additional capital investment the Council is making to help it deliver its services, improve neighbourhoods and the environment.

### **Recommendations**

The Resources and Governance Scrutiny Committee is requested to note and comment on the report.

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Council approval in section 7, and note that the overall budget figures may change subject to decisions made on other agenda items.
2. Note the capital strategy.
3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2023/24.
4. Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2023/24 to 2028/29 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

The Council is requested to:

1. Approve the budget changes for the capital programme noted in section 7.
2. Note the capital programme as presented in Appendix 3 (£408.2m in 2023/24, £463.7m in 2024/25, £173.8m in 2025/26, £62.9m in 2026/27, £7.8m in 2027/28 and £5.6m in 2028/29) which will require prudential borrowing of £424.0m to fund non-HRA schemes over the four-year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).
3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2023/24.

4. Delegate authority to:

- a) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to approve capital expenditure on schemes which have budget approval.
- b) The Chief Executive and Director of Highways in consultation with the Executive Member for Environment for the approval of the list of schemes to be undertaken under the Highways capital programme.
- c) The Chief Executive and Director of Highways to implement the Highways schemes in accordance with the Capital Approval process and after consultation with the Executive Member for Environment on the final details and estimated costs.
- d) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2024/25 and then £5m per year thereafter.
- e) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to approve Powering Our Schools qualifying spend to save loan schemes outside of £5m maximum invest to save outlined in constitution.
- f) The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend from later years, when necessary, within the programme subject to resource availability.
- g) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and approve where appropriate the programme of schemes for the delivery of the corporate asset management programme.
- h) The Deputy Chief Executive and City Treasurer and the Strategic Director for Growth and Development in consultation with the Executive Member for Finance and Human Resources to agree and approve acquisitions using the Strategic Acquisitions budget.

**Wards Affected:** OBJ Various

<p><b>Environmental Impact Assessment -</b> the impact of the decisions proposed in this report on achieving the zero-carbon target for the city</p>	<p>Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. Each project must set achievable carbon reducing targets before being approved.</p> <p>For some projects, the aim of the investment will be to reduce the City's carbon impact, for example the Civic</p>
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	Quarter Heat Network and the Carbon Reduction Programme.
<b>Equality, Diversity and Inclusion</b> - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	N/A

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
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 the strategy, notably 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	Through investment in areas such as 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

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### **Financial Consequences – Revenue**

The capital programme report as presented will require £424.0m (all General Fund) of prudential borrowing over the period 2023/24 to 2026/27. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue

contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

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## **Financial Consequences – Capital**

For the City Council programme, the latest forecast for 2023/24 is £408.0m, including new projects included in this report, of which £195.9m is forecast to be funded from borrowing. Across the forecast period 2024/25 to 2028/9, the forecast is £713.8m, of which £228.1m is forecast to be funded from borrowing. The forecasts include new proposed schemes of c. £181.5m, of which c. £9.9m are funded from borrowing.

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## **Attachments**

Appendix 1: Capital Approval Process  
Appendix 2: Proposed Amendments to the Capital Budget  
Appendix 3: Capital Budget 2023/24 - 2028/29

### **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 Council 3 March 2023 (Capital Strategy and Budget 2023/24 to 2025/26)  
Report to the Executive 22nd March 2023 - Capital Programme Update  
Report to the Executive 31st May 2023 - Capital Programme Update  
Report to the Executive 28th June 2023 - Capital Outturn 2022/23 and Capital Programme Update

Report to the Executive 13<sup>th</sup> September 2023 - Capital Monitoring and Programme Update

Report to the Executive 15<sup>th</sup> November 2023 - Capital Monitoring and Programme Update

## **1. Introduction**

- 1.1. As part of the suite of budget reports presented on this agenda, Executive and Council are recommended to approve the updated Capital Strategy for 2023-27, which sets out the Council's key capital priorities and the approach to financing these. This report details the latest position on the Strategy and the governance process.
- 1.2. The capital strategy provides the medium to long term context in which capital investment decisions are made, and the governance arrangements. The approach to non-treasury investments is included in the broader Treasury Management Strategy elsewhere on the agenda.
- 1.3. This report sets out the priority areas for future investment, including carbon reduction and housing. Schemes and projects are added to the budget at the point they have been developed and agreed as part of the checkpoint approval process. In this report, new schemes valued at c. £181.5m are proposed, investing across the Council's priorities, and these schemes are affordable within existing resources. This investment will take capital investment for the Council to c. £713.8m from 2024/25 onward.
- 1.4. The Capital Strategy provides the framework for the capital budget priorities and investment decisions. The Capital Strategy and Budget should be read in conjunction with the Medium-Term Financial Plan which sets out the priorities for the Revenue Budget.

## **2. Strategic Context**

### *Economic Context*

- 2.1. 2023 was marked by a series of significant economic events. The year started with expectations of a recession, following the ongoing cost-of-living and inflation crisis. However, the economy largely flatlined, with the latest information at the time writing showing that the UK may have entered a technical recession, with a slight contraction of 0.1% in the third quarter. Inflation remained a key concern, partly due to the ongoing impact of Russia's invasion of Ukraine. Despite this, inflation fell faster than expected, although living costs remained high. Current unrest and instability in the middle east threatens to worsen inflation over the course of 2024. The Bank of England Base Rate has remained at 5.25% since August 2023. High energy prices and increased borrowing costs have continued to impact businesses and households. Despite these challenges, the UK GDP remained slightly above its pre-pandemic level.
- 2.2. Construction inflation has continued to lessen over the course of 2023, however pressure on wages to match inflation combined with shortages of some workers means that labour rather than materials is now its main driver. There is a risk that materials costs could again become a concern should unrest in the middle east affect shipping through the Gulf of Aden.
- 2.3. Manchester itself has continued on a trajectory of growth over this period. There are now more workers and jobs in the city than ever before, and the centre of Manchester is performing well as the productive core of the wider city region. Our population has continued to increase, and Manchester is home to

an increasing number of knowledge intensive, high value and high productivity jobs and businesses. The Council's recently adopted Economic Strategy sets out our vision for supporting continued growth in the city while ensuring that more of the benefits of growth are felt locally.

- 2.4. While Manchester's economic performance has generally been positive and compares well to our UK peer cities, it is important to recognise that significant number of residents affected by the cost-of-living crisis. Manchester has over 40,000 residents with discretionary income of less than £30 per month (after essential costs). MCC spend over £30m in 2023/24 on anti-poverty and cost of living crises responses measures.
- 2.5. Development and capital investment continues to provide a significant opportunity to create social and economic benefits for our residents, especially through social value, by creating new learning, training and employment opportunities, new services for local people and enhancing public realm and the built environment.
- 2.6. Manchester is taking advantage of funding opportunities to drive development and has been successful in the bid for £20m Levelling Up Funding towards the redevelopment of Wythenshawe Civic Centre, in addition to the £20m awarded for the Campfield redevelopment. The Council is continuing to seek to maximise grants including the impact of funds such as the Public Sector Decarbonisation scheme.

#### *The Greater Manchester Context*

- 2.7. The ambition is for Greater Manchester (GM) to become a financially self-sustaining region at the heart of the Northern Powerhouse. GM have been working hard with Government to turn that vision into a reality. The priorities around growth and reform are distinctive and evidence based, and the City Region is one of the few economic geographies that can be a national engine for growth for the North and the UK as a whole.
- 2.8. A fully refreshed Greater Manchester Strategy was launched in February 2022. The focus of the new strategy is to create a greener, fairer, and more prosperous Greater Manchester, tackling the inequalities that exist in the city-region. The strategy provides the overarching framework that supports the GM Industrial Strategy, Housing Strategy, Spatial Framework and Internationalisation Strategy.

#### *Our Manchester Strategy*

- 2.9. The Our Manchester Strategy 2016–2025 sets out the future ambitions for Manchester. It details the goals that everyone in our city – our public, private, voluntary and community organisations and our residents – will work on together to put Manchester in the topflight of world cities by 2025. In 2020 we refreshed these priorities to acknowledge and look beyond current challenges and make sure the city achieves its ambition. The reset of our strategy was based on over 3,800 consultation responses and place a renewed focus on young people, our economy, health, housing, our environment, and infrastructure.
- 2.10. The five themes of the Our Manchester Strategy are:

- A thriving and sustainable city
- A highly skilled city
- A progressive and equitable city
- A liveable and zero carbon city
- A connected city

2.11 Through each priority runs Manchester's commitment to build a more equal, inclusive and sustainable city for everyone who lives, works, volunteers, studies and plays here. Only by working together can we achieve our vision by making an impact on our priorities of making Manchester. The Our Manchester Strategy is being reviewed and updated during 2024/25 to set out the priorities for the city for the next five years.

### **3 Priority areas for capital programme**

3.1 The Council's capital investment priorities reflect the Our Manchester Strategy and the Capital Programme for 2024/25 will be developed within these priority areas as set out below. The programme will predominately include the continuation of existing schemes and commitments but will also include new investment as set out below:

#### **3.2 *Investment into neighbourhoods and communities***


3.2.1 to support new and expanded high quality primary and secondary school facilities for a growing population. The provision of schools, expansion for additional places and maintenance are funded by government grant and the programme will be updated to reflect the grant allocations as they are received.

3.2.2 sustaining core community assets such as parks, leisure facilities, community facilities and libraries for Manchester residents. Alongside the current funding in the programme for libraries, parks, culture, and leisure there will be a continued focus on service delivery and community assets. This is being supported by £5m capital per annum over the next three years.

3.2.3 to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer.

3.2.4 to enable invest to save investment for market interventions within Homelessness and social care provision where required. Schemes to support adult social care and homelessness priorities are being developed alongside recognition of new grant funding available to the Council to house refugees.

#### **3.3 *Investment in growth and regeneration***

3.3.1 To support employment growth through a strengthening and diversification of the economic base and efficient use of land.  In November 2023 we launched the new economic strategy for the city that sets out our approach on this agenda.

3.3.2 Catalytic in supporting and delivering the economy strategy

3.3.3 Delivery of major regeneration schemes in the north and east of the city: North Manchester including North Manchester General Hospital, Victoria North, Back of Ancoats and Holt Town



### 3.3.4 Eastern Gateway

3.3.5 To promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.

3.3.6 The development of public realm including Piccadilly Gardens.

3.3.7 Provision to ensure there is flexibility for key strategic acquisitions that unlock developments.

### **3.4 Delivery of the Zero Carbon Action Plan and achieving net zero carbon by 2038 at the latest.**

3.4.1 The City Council has declared a climate emergency and is seeking to become carbon neutral by 2038 at the latest, requiring the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025.

3.4.2 An approach to reducing carbon emissions has been embedded into all capital planning and investment. Changes in how buildings are operated alongside behavioural changes such as recycling are important but must be supported by capital investment aimed at reducing carbon.

3.4.3 The Council has an important leadership role working alongside the Manchester Climate Change Partnership and Greater Manchester Combined Authority (GMCA). This includes the development of the Local Plan and Manchester Low Carbon build standard for new developments planned for 2023, the delivery of the Green and Blue infrastructure plan and other related pieces of work. Our direct investment will include work such as rolling out the learning from West Gorton Park into new developments including Victoria North.

3.4.4 In 2021, the Council formally adopted the Manchester Low Carbon Build Standard for all new developments directly delivered by the council, following its endorsement by the Manchester Climate Change Agency. The Standard sets minimum expectations which should be followed by all Council schemes, with zero carbon exemplar schemes actively encouraged.

3.4.5 A significant challenge remains the retrofit of the city's housing stock. The Council has produced some early proposals for retrofitting the city's housing stock, and work continues apace on this agenda

3.3.6 The majority of the Council's carbon emissions are from its existing corporate estate and own and partner managed housing stock. Significant investment will be required to bring these buildings up to carbon efficient standards which represents a major opportunity to establish Manchester as a centre for green technology and services, and to work with local skills providers to ensure that the city's residents are given the best possible opportunities to access these new careers.

### **3.5 Delivery of the Housing Strategy**

3.5.1 To provide an expanded, diverse and affordable housing offer, creating the conditions to increase the supply of affordable and social housing, and that all

new homes in the city are supported by good local public services and an accessible public transport infrastructure.

- 3.5.2 The first phase of This City is underway, and the delivery of an affordable housing offer remains a key priority. A Housing Affordability Fund remains in place to support the delivery of affordable housing and schemes will be developed to ensure housing related receipts are used effectively.

### **3.6 *Maintaining our corporate assets***

- 3.6.1 Investing in highways and road safety and the Asset Management Plans, alongside seeking to maximise the use of the corporate and investment estate, to ensure Manchester is a well-managed council.
- 3.6.2 The highways and road safety programmes are largely funded by government grant with additional investment from borrowing to deliver a more comprehensive maintenance programme. A rolling Highways and Corporate Estates programme with a further one-year investment budget in addition to government grant funding. Schemes for inclusion in the capital programme support the annual business as usual for highways investment and road safety and delivery of the Council's asset management plan.
- 3.6.3 The Council's Strategic Asset Management Plan (SAMP) provides a structured approach to the prioritisation of existing assets, potential acquisition, and identifying assets for disposal, ensuring a co-ordinated process for decision making. Capital receipts realised can be used to support the wider capital programme.
- 3.6.4 The Council's assets include those held for development, and the operational estate and community assets. The Council's operational estate comprises 369 buildings, including:
- The corporate estate comprises of 40 buildings, which includes 3 buildings of multiple occupancy (including Gorton Hub), 15 offices and 16 depots, plus a coroner's court and event space.
  - There are many Neighbourhood Facilities, including 110 buildings in parks, 14 libraries, 17 leisure centres and 3 museums/galleries.
  - The Council leases out 19 buildings to the Voluntary Community Sector
  - The estate also includes 6 prestige buildings which comprise Manchester Aquatic Centre, The Velodrome, National Football Museum, Bridgewater Hall, HOME and Factory International.
- 3.6.5 Condition surveys are being commissioned for the community estate, including those where the properties are occupied by community and other groups rather than the council. This will provide a more comprehensive approach to neighbourhood assets. Investment priorities in the operational estate will be informed by condition surveys, and options will be reviewed to align any works and funding with zero carbon initiatives. The estate also includes larger assets such as Bridgewater Hall, where the Council has repairing responsibilities as landlord and the associated investment required will need to form part of the Asset Management Plan.

### **3.7 Investment in new and upgraded transport infrastructure,**

- 3.7.1 Including delivering the Highways Investment Programme, and further investment in schemes which support modal shift and active travel. Accessing grant funding has been key to the delivery of the active travel priorities.
- 3.7.2 The capital programme will be updated for the inclusion of government grant and external funded maintenance and development programmes for Highways.
- 3.7.3 The above sets out ambitious priorities. As referenced above a significant proportion of the funding available to deliver the Our Manchester ambitions is from external funding and grants and through maximising the use of capital receipts and leveraging value of land assets, as shown in the graph in paragraph 9.8. The internal resources available must be used sustainably and Council must set a capital budget which is affordable within its revenue budget and some difficult prioritisation decisions will be required.

## **4 Zero Carbon Action Plan**

- 4.1 Due to the importance of achieving the Council's zero carbon ambitions, an update on the approach and investment to date has been included in the Capital Strategy.
- 4.2 The delivery of the Council's Climate Change Action Plan (CCAP) requires both revenue and capital investment from multiple funding sources over multiple financial years. To date, the Council invested approximately **£319m** to deliver the 5-year Climate Change Action Plan. The breakdown of this is as follows:
- £145m via the Council (including investment in LED streetlighting, Civic Quarter Heat Network, Estates Carbon Reduction, purchase of Electric Refuse Collection Vehicles, Tree Planting, social housing new low carbon homes & retrofit, education setting summit and new climate change posts), and including
  - £0.946m funding for the Manchester Climate Change Agency to support with staffing and operational costs
  - £0.8m additional ongoing revenue secured as part of 2022/23 budget setting to provide additional staffing capacity (12 new posts) to support delivery of the CCAP (additional details on what these posts are delivering is provided in the table below).
  - £97m from UK Government (including funding for Mayfield Park, Urban Tree Challenge Fund, Public Sector Decarbonisation Scheme, Active Travel, Social Housing Decarbonisation Fund, HNIP grant contribution to Civic Quarter Heat Network)
  - £55m from the GMCA (including Active Travel, GM Mayors Challenge Fund)
  - £8.1m from the European Union (including ERDF funded Unlocking Clean Energy and Homes as Energy Systems, Horizon 2020 funding for West Gorton Park, URBACT C-Change and Zero Carbon Cities projects)
  - £10m from partners (including One Manchester contribution to the Social Housing Decarbonisation Fund)
  - £3.6m from the Manchester Climate Change Agency (including In Our

Nature funding from the National Lottery).

- 4.3 The investment outlined above has assisted the Council in making good progress towards achieving its zero-carbon target by helping to reduce its direct emissions and remain within the carbon budget limit.
- 4.4 There will also be specific investment required with the forecasted additional projects identified in this report including:
- moving to a sustainable transport system across the City, including investment in cycle lanes and electric vehicle charging points;
  - continued investment in the Corporate Estate to improve energy efficiency given the estate accounts for roughly 70% of the Council's carbon emissions;
  - retrofit works to the Council's housing stock to move towards it being carbon neutral; and
  - further investment in green energy solutions.
- 4.5 Capital investment aimed at reducing carbon must focus on projects which will make the biggest difference in order to make the most effective use of our resources. The Council is also actively looking at biodiversity net gain initiatives which could use Council land.
- 4.6 Whilst carbon reduction remains one of the corporate priorities, there are limited resources available to fund the ambitions. It will be important to ensure that the Council can maximise any opportunities from the GMCA Net Zero pathfinder which includes £150k from Innovate UK towards exploring ways in which net zero neighbourhoods can be developed through financing approach, development of a physical pipeline of projects and stakeholder engagement. In addition, the funding secured from Department for Energy Security and Net Zero (DESNZ) to support the development of a community-based investment model will be important in finding new ways to fund and deliver zero carbon investment.

## **5 Financing the Capital Strategy**

- 5.1 Capital expenditure can only be spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings and/or where the Council and its residents receive a benefit from the capital expenditure invested in the assets for a long period of time (i.e., more than a year). It is the Council's policy to capitalise any expenditure over £10,000 which fulfils these criteria.
- 5.2 Potential capitalisation flexibilities including the use of capital receipts to support revenue expenditure for service transformation have not been used, but this position will continue to be reviewed in the light of the significant changes the Council is expected to deliver.
- 5.3 The existing programme represents significant investment in the city and contains projects at all stages of development and build. The volatility in inflation and financial markets has led to increased construction and financing

costs and whilst the current approved programme remains affordable, these pressures have restricted future borrowing capacity, available for new investment.

5.4 The following principles will be followed to ensure that the limited capital resources available are prioritised to achieve best value for money:

5.5 The Council will not invest in capital schemes purely for yield, although some schemes will be financed all or in part from returns on investment. Usually, investment will be within the local authority area although there may be exceptions if it is within the relevant economic area and meeting a key regeneration or zero carbon objective. The Prudential Code and Public Works Loan Board (PWLB) criteria will be followed.

- Reviews to identify surplus or underutilised assets that can be disposed of to realise capital receipts to support future investment priorities.
- If projects support corporate priorities, including both low carbon and social value, then they will be supported if:
  - The project is fully funded by external grants and contributions;
  - The project generates additional capital receipts to the Council, so the impact on resources is minimal; or
  - The project will generate a robust net income stream or revenue savings that is sufficient to meet the associated capital financing costs and therefore be funded on an invest to save basis.
- Schemes will also have a stronger chance of progressing if they bring additional grants and contributions, can support the realisation of additional capital receipts for investment and they are funded through invest to save proposals.
- Additional borrowing will only be considered if there are no other funding available and the project is of critical importance. The impact on the Council's revenue budget will form part of the decision making. Work will continue to identify how other income sources such as the use of external grants can be maximised, including how fragmented government funding streams can be brought together to complement investment proposals.

5.6 The Capital Strategy has been developed to ensure that capital expenditure and investment decisions are taken in line with Council priorities and to take account of stewardship, value for money, prudence, risk, sustainability, proportionality, and affordability. It will be ensured the decisions are within the economic powers of the Council and are underpinned by strong governance arrangements that underpin decision making.

5.7 The Council's Capital Financing Requirement required to deliver the capital programme is forecast to be £2.2bn by 2025/26. Whilst this ranks as one of the highest levels of borrowing amongst local authorities in absolute terms. at c. £4k per head it is not – indeed, for 2023/24 the Council's CFR per head ranked as 33<sup>rd</sup> amongst authorities for which the data is available. Steps have been taken to ensure that this is prudent and affordable, including the establishment of the capital financing reserve to ensure that the increased borrowing for the

Our Town Hall project does not become an additional burden on the revenue budget.

## 6 The Capital Programme

- 6.1 The existing capital programme covers both the purchase of new long-term assets and improvements to existing ones, such as buildings, roads, and council housing. Each year we need to spend more money to ensure our assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements. The Council's estate is valued at over £3bn (exc. Heritage and Infrastructure assets) with multiple assets
- 6.2 Each year the capital programme includes a number of schemes that relate to the routine upkeep of the Council's asset infrastructure. The assets maintained are diverse and are crucial to delivering services to residents across the city:

<p><b><u>Public Sector Housing</u></b> - 12,501 properties (exc. PFI) - 213 Homelessness bed spaces and 60 units</p>	<p><b><u>Schools</u></b> 102 Maintained Local Authority Schools 82 Academies 53,325 Primary places 34,047 Secondary Places</p>
<p><b><u>Estate Asset Management</u></b> 367 MCC operational buildings (inc 22 Leisure Centres, 24 Libraries, 7 Markets, 41 Early Years settings and 21 Hostels) 1,688 third party occupations including over 150 industrial units</p>	<p><b><u>Highways Services</u></b> - 1,368 kms of Highways - 260 kms of bike lanes - 350 bridges and structures - 2,668 kms of Footways - 118,800 drainage gullies</p>

- 6.3 During 2023/24 the Council has delivered several new schemes including:

- Aviva Studios at The Factory opened creating a landmark global destination for arts, music, and culture in the heart of Manchester.
- Abraham Moss Library and Leisure Centre new build launched with state-of-the-art swimming, health and fitness, sports hall, and library facilities.
- The Velodrome, full refurbishment at the National Cycling Centre re-launched facilities with new green credentials – becoming the UK's first all-electric Velodrome.
- House of Sport Manchester, a new administration hub for the sport and physical activity sector.
- New Wind Tunnel at Manchester Institute of Health and Performance to become the world's leading cycling wind tunnel for British cyclists' supporting elite and performance development.
- Tennis and Football Centre, outdoor football pitch and indoor tennis court upgrades to competition standards.

- Platt Fields Park, including upgrades to BMX track and sports lighting – providing a platform for growth in local cycling participation.
- Scotland Hall Road and Ladybarn Park, including upgrades to multi-sport games areas, new activity spaces and park lighting – underpinned by a community activation programme encouraging more people to get active.
- Silk Street 69 affordable low carbon homes in Newton Heath
- Highways access improvements adjacent to 38 schools across the city.
- The implementation and go-live of the Christie Expansion Residents Parking Scheme
- Two further phases of the 6km Chorlton to Manchester Walking and Cycling at Upper Chorlton Road and Brooks Bar junction funded by Mayors Challenge Fund
- Road Safety improvement programme comprising a range of safety features at 52 locations across the City.





- 6.4 The capital programme contains around 320 schemes to be delivered across the next three years. The schemes are funded by several funding streams, both internal and external (e.g. grants), as set out in section 9.7. Major schemes include:
- 6.4.1 **Highways Services** – ongoing maintenance programme for carriageways, footways, drainage and structures, Active Travel Schemes and Road Safety schemes
  - 6.4.2 **Neighbourhoods** - Hough End Football Hub development, Manchester Aquatics Centre Refurbishment, National Cycling Centre Refurbishment, Galleries Collection Housing & Remediation Works, and the Parks Development Programme.
  - 6.4.3 **Completion of The Factory and St John’s Public Realm**
  - 6.4.4 **Growth and Development** – Asset Management Programme maintaining the Council’s assets, Carbon Reduction Programme, Campfield Redevelopment and Home Arches utilising Levelling up Fund.
  - 6.4.5 **Town Hall and Albert Square Refurbishment programme**
  - 6.4.6 **Housing** – Major adaptations for people with disabilities through the Disabled Facilities Grant, This City Housing Delivery Vehicle, investment in the Council’s public sector housing estate and regeneration works in Collyhurst.
  - 6.4.7 **Children’s Services** – Basic Need programme providing additional school places to meet increasing pupil numbers, including the City Centre Primary School and Co-op Academy in Belle Vue Secondary school, Varley Street Special Educational Needs and Disabilities (SEND) school and the School Maintenance Programme.
  - 6.4.8 **Information and Communication Technology (ICT)** - Network Refresh Programme updating the Council’s wider area network, local area network and wi-fi.
  - 6.4.9 **Adults, Children’s and Corporate Services** – Completion of Gorton District Centre providing integrated health and community services

## **7 Development of the Capital Programme**

- 7.1 The new schemes recommended to be included in the programme reflect the agreed priorities. A summary of schemes to be included in the 2024/25 programme along with their funding and spend profile can be found at appendix 2 and are summarised below.
- 7.2 The total increase to the programme would be £181.5m. These schemes are included in the existing and proposed capital programme in Appendix 3 and are affordable within existing resources.



*For Council approval:*

***Investment into neighbourhoods and communities***

- 7.3 Neighbourhoods – Infrastructure Renewal Fund. Investment in neighbourhood infrastructure, specifically pathways, street furniture such as seating, fencing and signage, and children’s play areas. The funding will be used across all Council wards. A budget increase of £5.0m is requested, funded from borrowing.
- 7.4 Neighbourhoods – Homelessness Accommodation – Manchester City Council is seeking to develop alternative temporary singles accommodation for homeless adults as an alternative to placing into B&B type accommodation. The Council and Homelessness Service has a very real need for accommodation for vulnerable homeless people within the city. The redevelopment of the Dickenson Road site will provide 24 single occupancy units of Homeless Hospital Discharge temporary accommodation, replacing the current provision at Elizabeth Yarwood Court which is to be demolished as part of the Regeneration of the area on which the site is located. A budget increase of £5.622m is requested, funded by Capital Receipts.
- 7.5 Adults – Digital Switch Community Alarms. All analogue phone lines in England will be switched to digital by December 2025. The project is to swap out analogue units to a SIM based, digital device at properties of citizens who are currently paying to receive service related to community alarms. A budget increase of £1m is requested, funded by borrowing.
- 7.6 Adults – Shared Care Grant – the Council has received grant from the Government for the Greater Manchester Shared Care programme, which the Greater Manchester Combined Authority leads on. This is for use across the wider health system, with decisions on the use of the funding being made by Combined Authority. A budget increase of £2.0m is requested, funded by grant.
- 7.7 Children’s Services - Levenshulme High School for Girls – 2024 Expansion – Additional Costs. The overall project will deliver an additional 100 places of secondary education for Manchester residents at Levenshulme High School. £2.5m has been approved to date for the project but as the project progresses it has become known that the new teaching block will not be ready to accommodate students until spring term 2024-25. Additional costs are therefore being requested to facilitate construction of a mezzanine floor to a double height classroom. This will provide additional classroom spaces in the interim and to accommodate an increased PAN in September 2024. Growth in schools is funded by the Education Basic Needs Government Grant which will be utilised for this scheme, the next allocation of the grant is not anticipated until 2025/26, therefore approval is sought to cash flow expenditure for works through use of Capital Receipts. The Council will be reimbursed when the grant is received, and there is little, or no risk identified through this approach due to the ongoing receipt of grant funding. A budget increase of £0.130m is requested, funded by Capital receipts.

- 7.8 Children's Services - Manchester Communication Academy – 2024 Expansion – Additional Costs. The project will deliver an additional 300 places of secondary education for Manchester residents. £8.4m has been approved to date but additional funding is now required. Due to planning delays because of Sport England objections over loss of playing field, the work is not expected to be completed in time to admit the increased cohort in September 2024. Additional costs are therefore being requested to facilitate the construction of two relocated MUGA courts, a single-storey extension on the side of the school sports hall, and associated utilities upgrade costs for the new building. The extension would provide additional classroom spaces to accommodate the increased PAN in the interim and beyond. The MUGA courts are required to mitigate objections raised by Sport England. Approval is sought to cash flow expenditure for the additional works through use of Capital Receipts, until the next allocation of Education Basic Need grant is received in 2025/26. There is little, or no risk identified through this approach due to the ongoing receipt of grant funding. A budget increase of £1.1m is requested, funded by Capital Receipts.

***Investment in growth and regeneration – to support employment growth through a strengthening and diversification of the economic base and efficient use of land.***

- 7.9 Growth – Support for the Oxford Road Corridor – the Oxford Road Corridor is an Enterprise Zone (EZ), within which the Local Enterprise Partnership (LEP) retains all business rates growth generated, and any growth is held in a ringfenced reserve by the Council. Following agreement from the Greater Manchester Business Board which acts as the LEP for the area, it is proposed that a grant is provided to support the redevelopment of the Greenheys building at Manchester Science Park to facilitate the relocation of Biobank, which will support a further increase in business rates yield which would be retained by the EZ. The grant would be paid over a 5-year period, funded from the ringfenced reserve for business rates growth within the LEP over that time period. The grant will start to be released on the signing of a grant funding agreement and following completion of all necessary commercial, financial and legal due diligence. A budget increase of £4.5m is requested, funded from the retained business rates in the EZ business rates growth reserve.
- 7.10 Growth – Strategic Acquisitions. To set aside funding for potential strategic acquisitions that could support existing or future development and regeneration schemes, including provision to acquire the lease interest in 103 Princess St and to acquire third party interests in the Irish World Heritage Centre. A budget increase of £21.4m p.a. is requested between 2024/25 and 2026/27, funded from capital receipts.

***Delivery of the Zero Carbon Action Plan***

- 7.11 Growth – Carbon Reduction Programme 2024/25 - To ensure continued decarbonisation of the estate to meet the Council's zero carbon target by 2038, a new programme of works has been proposed to remove fossil fuel consumption at a number of sites such as libraries, cemeteries and sure start centres, while simultaneously working on a full roadmap to understand the complete journey to zero-carbon over the next 15 years. The work will consist of fabric efficiency upgrades such as windows and insulation, as well as

electrical and mechanical infrastructure upgrades that will support the installations of heat pump technology as part of this programme. LED replacement and solar generation along with BMS will be installed /upgraded to control and reduce electrical demand of the sites. It is expected that part of this funding will be used to match fund an application for grant funding to the Public Sector Decarbonisation scheme 3C. A budget increase of £10.5m is requested, funded by invest to save borrowing.

### ***Delivery of the Housing Strategy.***

- 7.12 Private Sector Housing - This City – To reduce the level of borrowing required for the affordable housing created as part of the project at Rodney Street, it is proposed to transfer and use part of the already approved Housing Affordability Fund instead. A budget virement of £1.997m is requested, funded by external contributions, and a budget reduction of a similar amount, funded by borrowing, from the This City scheme.
- 7.13 Public Sector Housing – Social Housing Decarbonisation Fund – To reflect the increase in costs associated with the Social Housing Decarbonisation Fund. Following a review of the schemes, costs for the programme have increased significantly as a result of building cost inflation, some of the solutions being more complex than originally anticipated and also a need to undertake more detailed surveys on properties before work can commence. A budget increase of £10.494m is requested, funded from capital receipts.
- 7.14 Public Sector Housing – Buying Back Former Council Properties. A policy for buying back former Council homes in Manchester to maximise the supply of affordable housing in the city was introduced in 2019. The policy was introduced to reduce the number of homes which may otherwise end up in the often poorly managed private rented sector. The Right to Buy onward sales procedure legally provides the Council (or a nominated RP) first refusal to acquire properties that are to be sold within the first 10 years of the Right to Buy acquisition date. This request will allow funding to continue acquisitions as and when properties become available. The scheme will utilise one-for-one capital receipts in the first instance with up to 60% match funding from housing receipts where required. A budget increase of £3m is requested, funded by Housing Capital Receipts.
- 7.15 Public Sector Housing – Property Acquisitions. There is an ongoing shortage of social and affordable housing across Manchester. The scheme will provide properties that are in high demand across the City, specifically bungalows when available. The increased supply of affordable bungalows will ensure specific households on the housing register will get rehoused more quickly. The scheme will utilise one-for-one capital receipts in the first instance with up to 60% match funding from housing receipts where required. A budget increase of £15.039m is requested, funded by Housing Capital Receipts.

### ***Maintaining our corporate assets.***

- 7.16 Asset Management Plan. To fund a three-year programme of the asset management works to enable capital replacement and improvement works across the Council's operational and heritage assets and buildings where the Council has landlord responsibilities. A budget increase of £15.0m in 2024/25, £15.0m in 2025/26 and £15.0m in 2026/27 is requested funded from capital

receipts.

- 7.17 Neighbourhoods - Bridgewater Hall. To fund the design costs associated with a programme of Phase 1 refurbishment works at the Bridgewater Hall. For Phase 1, the works will focus principally on the auditorium but also some wider operational items and building fabric where items are beyond or at the end of warrantable life, requiring replacement, and/or have a limited lifespan and require major repairs to bring them up to standard. A budget increase of £1.2m is requested, funded by borrowing.
- 7.18 Growth - Hammerstone Road Depot. Further to submission of Planning approval for the updated external works scheme at Hammerstone Road Depot, which incorporates new external lighting and CCTV works to the Upper Car Park and a revised layout which have been developed in consultation with key stakeholders, the main contractor has highlighted unforeseen issues and consequential improvements which have arisen from the planning process and design development. The additional funding requested will address the full concerns of the stakeholders and meet the requirements of Planning. Works include Installation of new lighting, CCTV and EVC's to upper car park, new drainage and surfacing, and increased car parking spaces. A budget increase of £4.7m is requested, funded by borrowing.
- 7.19 Highways – Investment Plan. To fund a three-year programme of the Highways investment plan, to support the Council's Road and Footway (£13m), drainage network (£2m) and Parking (£0.5m). External funding (£6m) will be used in 2024/25 to continue works on the patching programme, repairing actionable defects. Future year external funding will be added once the final government grant is known. A budget increase of £21.5m is requested in 2024/25, funded from £6m of government grant and £15.5m Capital Receipts. A further increase of £15m in 2025/26 and £15m in 2026/27 is also requested, funded by Capital Receipts.

***Investment in new and upgraded transport infrastructure.***

- 7.20 Highways Services – ITB Funding. The Integrated Transport Block (ITB) provides funding support to local authorities for transport capital improvement schemes worth less than £5 million. The funding will be spent on priorities, to be determined, in each of the following categories, Road Safety Programme, Minor Schemes, Speed Cameras and Major Schemes. A budget increase of £1.585m is requested, funded by External Contribution.

***For Executive approval – Revenue budget:***

- 7.21 Children's Services - Relocation of St. Agnes CE Primary School to the Co-op Academy Belle Vue and the former Slade Lane Children's Centre - Additional Costs. During extensive works to St Agnes CofE Primary School, pupils and staff have been decanted to Co-op Academy Belle Vue to avoid disruption. A revenue budget increase of £0.139m is requested, funded from the Capital Fund reserve.
- 7.22 ICT - Data Repository. This project will deliver a data repository solution to store archived system data that must be retained in line with data retention policies and can be accessed when needed. Due to the nature of the data collected by the organisation, a large proportion of data is required by law to be

retained for extended periods. A revenue budget increase of £0.256m is requested, funded from the ICT Investment reserve.

- 7.23 ICT – Replacement of Community Alarms platform (CATEC). This project is required due to a change in the external environment – namely, the intention to retire analogue telephone networks such as the Public Switched Telephone Network (PSTN) by the end of 2025. The industry will upgrade landline services to new digital technology using an internet connection, such as Voice over Internet Protocol (VoIP), Digital Voice or All-IP telephony. The existing equipment and platform are not compatible with the new technology and must be replaced to enable the service to continue to be provided. A revenue budget increase of £0.083m is requested, funded from the ICT Investment reserve.
- 7.24 ICT – SAP Estate Remediation. Remedial activity is required to further secure and better our current SAP estate, ensuring service stability whilst the strategic direction and longer-term solutions are identified and implemented. The project will lead to the resolution of numerous vulnerabilities and bring the SAP environment back into full support. Several critical activities will need to be completed. A revenue budget increase of £0.660m is requested, funded from the ICT Investment reserve.
- 7.25 Powering Our Schools- Increasing the deployment of renewable energy generation and smart energy infrastructure, including solar photo voltaic (PV) installation is a key part of the Council's zero carbon ambitions. The capital costs of installation have previously been identified as a significant barrier to the widespread deployment of solar PV on school roofs. A collective purchase scheme has been proposed to partly mitigate this through aggregated purchasing. Alongside the nine other boroughs, Manchester is working with Greater Manchester Combined Authority (GMCA) to develop this scheme, called 'Powering Our Schools.'
- 7.26 This type of scheme may facilitate deployment for some schools in multi-academy trusts, but local authority (LA)-maintained schools are still unlikely to be able to afford the cost from their own reserves, even with a discount from aggregated purchasing. A Council loan scheme has been proposed to support Local Authority maintained schools' to pay capital costs
- 7.27 For a school to be considered suitable for a loan, a condition survey of the roof structure, their current and projected finances, and any planned works in the next 5 years will be assessed. Where all three criteria are satisfied, a roof condition and structural survey will be centrally procured and funded by GMCA. Once the result of this survey is reviewed by the School and the Council, a decision will be made on whether to progress the loan application. It is expected that the revenue savings generated from the solar panels will repay the loan to the Council over a number of years, which will be governed under the MCC loans to Schools policy.
- 7.28 It is proposed that delegated approval from Executive is given to the Deputy Chief Executive and City Treasurer to approve the individual invest to save loan schemes as they come forward. This request will be over and above existing spend to save limits for approval.

7.29 The capital programme 2023/24 to 2028/29 is shown below. The programme is based on the forecast as at the end of December 2023, which is reported elsewhere on the agenda, and the additional proposed schemes noted above.

<b>Forecast Budgets</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Future Years</b>	<b>Total</b>	<b>Total 24/25-28/29</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Manchester City Council Programme</b>							
Highways	40.8	45.0	20.5	18.9		<b>125.1</b>	<b>84.4</b>
Neighbourhoods	42.4	17.5	5.3			<b>65.2</b>	<b>22.8</b>
The Factory and St John's Public Realm	54.4					<b>54.4</b>	<b>0.0</b>
Growth	96.7	125.1	31.5	18.9	<b>1.8</b>	<b>274.0</b>	<b>177.3</b>
Town Hall Refurbishment	63.8	84.5	22.5			<b>170.8</b>	<b>107.0</b>
Housing – General Fund	28.9	52.0	15.2			<b>96.2</b>	<b>67.2</b>
Housing – HRA	43.9	66.8	45.9	25.1	<b>11.6</b>	<b>193.3</b>	<b>149.4</b>
Children's Services (Schools)	29.6	36.2	1.4			<b>67.2</b>	<b>37.6</b>
ICT	2.7	2.9				<b>5.6</b>	<b>2.9</b>
Corporate Services	4.3	9.1	0.5			<b>13.9</b>	<b>9.6</b>
<b>Total (exc. Contingent budgets)</b>	<b>407.6</b>	<b>439.1</b>	<b>142.8</b>	<b>62.9</b>	<b>13.4</b>	<b>1,065.6</b>	<b>658.1</b>
Contingent Budgets	0.6	24.6	31.0			<b>56.3</b>	<b>55.6</b>
<b>Total Programme</b>	<b>408.2</b>	<b>463.7</b>	<b>173.8</b>	<b>62.9</b>	<b>13.4</b>	<b>1,121.9</b>	<b>713.7</b>

7.30 The phasing of schemes will be impacted by market challenges and, in the context of a challenging delivery market, particularly due to supply issues and inflation. On a project-by-project basis there will be optimism bias with regards to how quickly projects can progress and be delivered, which means that the forecast for 2024/25 is highly ambitious.

7.31 The programme contains some contingent budgets reserved for a particular purpose, such as Education Basic Need funding and the budget for inflation pressures. These will be allocated when the individual schemes are approved through the Council's capital approval process.

## 8 Governance

8.1 The capital approval process was updated in 2023/24 to ensure it remains fit for purpose and reflects best practice. The changes deliver a "top-down" as well as "bottom-up" approach to maximise the benefit that can be gained from the more

limited capital resources. The process builds in a stronger approach to planning for place and has a greater focus on neighbourhoods and communities.

8.2 Key changes made include:

- Focus on Prioritisation
- Creation of Forward Plan
- Capital Project Initiation Form (due diligence template)
- Improved Place Focus
- Improvements to Project Governance

An outline of the approval process can be found in Appendix 1

8.3 The capital programme continues to be managed and updated on a rolling basis. The priorities will be set each year as part of the budget cycle and the frequency of capital budget requests to Executive and Council will remain quarterly.

## **9 Capital Financing**

9.1 There are a number of funding streams available to fund capital expenditure. These include external grants and contributions, revenue funding, capital receipts and prudential borrowing. Capital receipts are ring-fenced, under legislation, to fund future capital expenditure (or repay long term borrowing) and cannot be used to fund the revenue budget.

9.2 The Housing Revenue Account (HRA) is a restricted fund and can only be used to fund capital expenditure on HRA assets.

9.3 The Council also operates the following fund restrictions:

- Housing capital receipts (both Housing General Fund and Housing Revenue Account) are reserved for use on new Housing projects;
- Right to Buy receipts will be retained within the HRA unless there is a specific identified housing project outside of the HRA where they can be better applied
- General Fund capital receipts will be used in the first instance to support the Asset Management Programme although some receipts may be ringfenced for reinvestment if linked to specific development or project
- Grants received will be used for the specific purpose intended, even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

### ***Prudential Borrowing***

9.4 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing increases the Council's capital financing requirement (CFR) and will create revenue costs through interest costs and minimum revenue provision (MRP). Where expenditure is funded through borrowing there is a requirement to make a minimum revenue provision towards the repayment of the debt. This ensures that the revenue cost of repaying the debt is spread over the life of the asset, similar to depreciation. The Council's MRP policy is contained within the Treasury Management Strategy Statement, included elsewhere on this agenda.

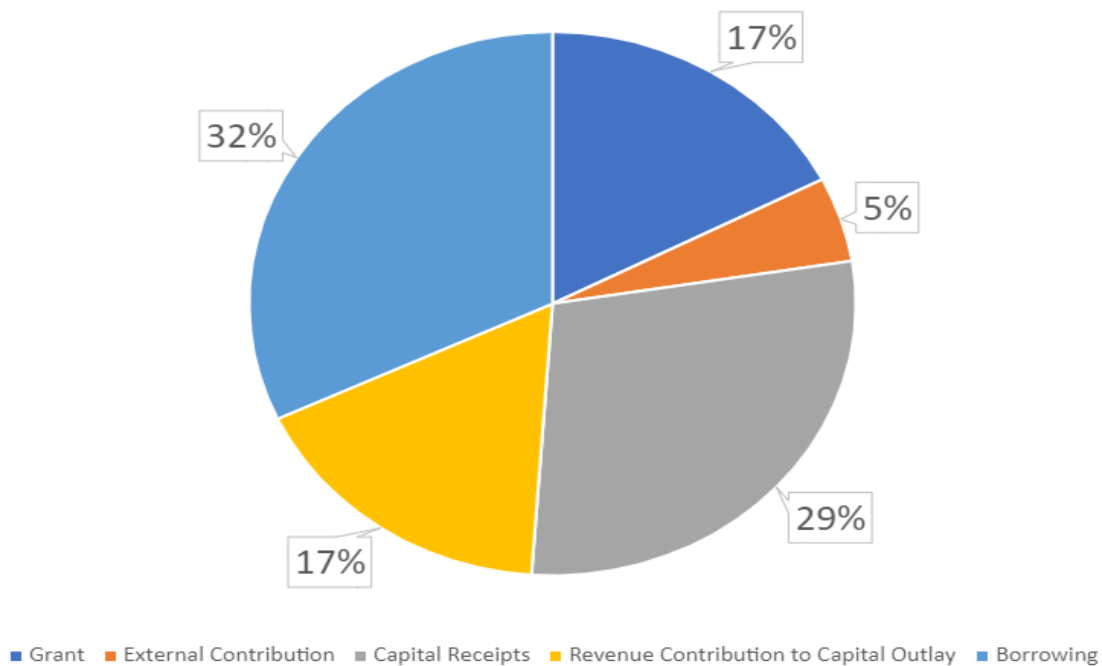
- 9.5 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. The proposed programme and the existing debt liabilities are affordable within the existing revenue budget. There is a finite level of borrowing that the Council can undertake to remain affordable and meet the Prudential Indicators (which are included in the Treasury Management Strategy). In line with the Prudential Code, the Local Authority must have explicit regard to option appraisal and risk, asset management planning, strategic planning, and achievability of the forward plan. To achieve this the funding principles and governance arrangements set out in this report are applied and all schemes are reviewed so that the revenue consequences and capital financing costs are understood and budgeted for.
- 9.6 Borrowing decisions are taken separately for the General Fund and HRA. For the HRA it is depreciation rather than MRP which is incurred.
- 9.7 The proposed funding for the programme across the forecast period is shown below:

	<b>2023/24 forecast</b>	<b>2024/25 forecast</b>	<b>2025/26 forecast</b>	<b>2026/27 forecast</b>	<b>Future Years</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grant	119.7	87.0	37.5			<b>244.2</b>
External Contribution	20.9	29.5	2.6	3.9		<b>56.9</b>
Capital Receipts	42.8	116.7	54.5	33.0		<b>247.0</b>
Revenue Contribution to Capital Outlay	28.9	41.4	40.2	26.0	13.4	<b>149.9</b>
Borrowing	195.9	189.1	39.0			<b>424.0</b>
<b>Total</b>	<b>408.2</b>	<b>463.7</b>	<b>173.8</b>	<b>62.9</b>	<b>13.4</b>	<b>1,121.9</b>

- 9.8 The chart below shows the funding forecast for 2024-29, and highlights the required level of borrowing, as well as the reliance on external grants and contributions to fund capital activity.



## Forecast Capital Funding 2024-29



- 9.9 The funding forecast includes use of capital receipts already received and a forecast of future receipts based on officer's views on when surplus assets may be sold and the likely market valuations. Whilst the forecasts for future receipts are prudent, and based on the current expectations, they cannot be certain and are therefore subject to change. The implication of this is that, whilst the programme is forecast to be funded, should actual receipts fall below current expectations the programme would need to be reviewed. Given the importance, the monitoring of forecast capital receipts will be critical to the success of the capital strategy and will be monitored by officers throughout the financial year and reported to members as part the capital monitoring.
- 9.10 Modelling the Council's future cash flow based on the funding assumptions and anticipated changes to working capital provides an assessment of the ongoing affordability of the forecast capital programme. The current forecasts show that the financing costs remain affordable within the revenue budget available including reserves over the proposed Medium Term Financial Plan. The capital financing reserves will start to be drawn down to meet the costs associated with the borrowing by 2024/25. The model is based on a significant number of assumptions, including the timing of future borrowing, and forecast future interest rates and the position is subject to change.
- 9.11 The current Housing HRA programme does not require prudential borrowing, but it is likely that new schemes will, and this will be reported as part of the decision-making process. Schemes are currently financed through the use of the cash backed reserves within the HRA. At the point these reserves are fully utilised additional borrowing will be required with additional financing costs incurred.
- 9.12 A number of the schemes in the approved programme are funded by borrowing on an invest so save basis and will generate revenue savings which also fund the financing costs. Further invest to save investment opportunities may arise, and delegated authority is given to the Deputy Chief Executive and City

Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The delegation is restricted to an annual limit of £5,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any additions are financed in full by additional income, revenue budget savings, or cost avoidance.

- 9.13 The final capital forecast will be reported to Council in March and will include any changes to the financing position alongside the impact of any changes in the delivery of the 2023/24 programme.

## **10 Prudential Indicators**

- 10.1 The prudential indicators for the Council, including the treasury management indicators, are shown as part of the Treasury Management Strategy Statement elsewhere on the agenda. These will be monitored throughout the year and will be reported to members as part of the regular capital monitoring.

## **11 Conclusions**

- 11.1 This capital strategy provides an overview of how capital expenditure, capital financing and treasury management activity support service delivery, and should be taken in context with the capital budget and the treasury management strategy statement.
- 11.2 The proposed capital programme described within the report is affordable within the existing revenue budget based on the estimated capital financing costs associated with delivering the programme.
- 11.3 There are risks associated with the delivery of the capital strategy, specifically regarding delays to the programme or treasury management risks. Measures are in place to mitigate these risks through both the Strategic Capital Board and the treasury management strategy. Reports will be provided throughout the year to Council, Executive and other relevant committees providing updates on the progress of the capital programme and the risks associated with its delivery and funding.

## **12 Contributing to a Zero-Carbon City**

- 12.1 Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. Each project must set achievable carbon reducing targets before being approved.
- 12.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, as noted above.

## **13 Contributing to the Our Manchester Strategy**

### **(a) A thriving and sustainable city**

- 13.1 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**

- 13.2 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**

- 13.3 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**

- 13.4 Investment in all areas of the capital programme contributes towards the strategy, notably investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

**(e) A connected city**

- 13.5 Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes.

**14 Key Policies and Considerations**

**(a) Equal Opportunities**

- 14.1 The proposals have been drawn up in awareness of Council policy on equality.

**(b) Risk Management**

- 14.2 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 changes. 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**

- 14.3 None in this report.