

Manchester City Council Report for Resolution

Report to: Audit Committee – 11 June 2019
Resources and Governance Scrutiny Committee – 18 June 2019
Executive – 26 June 2019

Subject: Capital Programme Outturn 2018/19

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

- (a) The outturn of capital expenditure and financing for 2018/19.
- (b) The major variances between the 2018/19 outturn and the previous Capital Programme monitoring report submitted in February 2019.
- (c) The commitments to be carried over into the five year Capital Programme 2019/20 to 2023/24.

Recommendations

Audit Committee are asked to note the report.

Resources and Governance Scrutiny Committee are asked to note the report.

The Executive is requested to:

1. Note the outturn of capital expenditure 2018/19 for the Manchester City Council Programme was £361.6m. The outturn of capital expenditure 2018/19 for the Programme on behalf of Greater Manchester was £91.2m.
 2. Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2019.
 3. Approve the budget transfers between capital schemes to maximise the use of funding resources available to the Council.
 4. Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2018/19.
 5. Note the impact of final expenditure in 2018/19 on the revised Capital Programme 2019/20 to 2023/24.
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Wards Affected: All

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 current Revenue Budget.

Financial Consequences – Capital

The Capital Outturn 2018/19 for Manchester City Council is £361.6m compared to the revised budget of £400.0m submitted to Executive in February 2019. The Capital Outturn 2018/19 for the programme on behalf of Greater Manchester is £91.2m compared to the revised budget of £95.8m.

The programme is subject to continual review to establish whether the forecast remains achievable. Whilst the intention is for the City Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years.

The Greater Manchester programme is hosted by the City Council, but is managed by the Combined Authority which also monitors the projects. The City Council is currently working with the Greater Manchester Combined Authority (GMCA) to finalise the novation of a number of Housing Investment Fund projects following the granting of the relevant borrowing powers to the CA. This will be reported in further detail once the position is confirmed.

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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 13th February 2019 – Capital Strategy and Budget 2019/20 to 2023/24
- Report to the Executive 13th March 2019 – Capital Programme – Capital Programme Update

1 Introduction

1.1 The purpose of the report is to:

- Inform the Executive of the outturn position for 2018/19.
- Inform members of the forward commitments into the 2019/20 to 2023/24 capital programme.
- Confirm that funding streams were managed to best utilise resources available to fund the capital programme.

1.2 This report has been redesigned, to provide more information on the activities undertaken in delivering the programme and the risks associated with the works, as well as the financial monitoring and changes required.

1.3 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. Risks associated with each of the programme areas are highlighted in section 16 of the report.

1.4 Appendix A details the virements requested across the programme since Executive approved the capital budget in February 2019 for 2019/20 onwards. Appendix B details the cost variations since the capital budget was approved in February. Appendix C details the revised capital budget for each project, taking into account the virements requested, any cost variations and any re-profiling between years which has been identified.

2 Capital Budget

2.1 Executive approved the Capital Budget for the period 2018/19 to 2023/24 in February, and there was a subsequent capital budget increase report submitted to Executive on 13 March 2019. The revised capital budget for the period 2018/19 to 2023/24, before changes proposed at outturn, is shown below:

Capital Programme 2018-2024	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total Programme
	£m	£m	£m	£m	£m	£m	£m
Capital Budget (Feb 19)	495.4	505.6	419.0	244.0	87.0	39.0	1,790.0
Capital Programme Update (Approved March 19)	0.4	3.4	1.3	0.3	0.0	0.0	5.4
Revised Capital Budget	495.8	509.0	420.3	244.3	87.0	39.0	1,795.4
<i>Of which:</i>							
Manchester City Council Programme	400.00	362.5	382.3	244.3	87.0	39.0	1,515.1
Programme on behalf of Greater Manchester	95.8	146.5	38.0	0.0	0.0	0.0	280.3

2.2 The figures shown above include those approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City

Treasurer under delegated powers and budget increases approved by the Executive.

3 Projects carried out on behalf of Greater Manchester

- 3.1 The Greater Manchester programme has spent £91.2m against a budget of £95.8m, a variance of £4.6m, as the number of loan requests during the year was lower than originally anticipated. The Housing Investment Fund has novated to the Greater Manchester Combined Authority, and most of the associated investments will novate across. The Council will retain a number of loans which cannot easily be novated and the Combined Authority will provide loan finance to offset these assets and provide a guarantee against any losses. The exact number and value of loans retained will be reported once the novations are completed.

4 Capital Outturn 2018/19

- 4.1 The final spend position for the Manchester City Council Capital Programme in 2018/19 is £361.6m compared to a revised budget of £400.0m. The outturn for the 2018/19 Programme on behalf of Greater Manchester is £91.2m compared to a revised budget of £95.8m. The variations, by service area, are shown in the table below.

Capital Programme 2018/19 Outturn

Manchester City Council Programme	Budget £m	Outturn £m	Variance £m
Highways	37.8	38.3	0.5
Neighbourhoods	11.7	8.9	-2.8
Strategic Development	123.0	100.3	-22.7
Town Hall Refurbishment	11.1	8.5	-2.6
Housing - GF	27.8	26.8	-1.0
Housing - HRA	16.7	15.2	-1.5
Children's Services	31.6	29.8	-1.8
ICT	6.3	3.7	-2.6
Corporate Services	134.0	130.0	-4.0
Manchester City Council Programme	400.0	361.6	-38.4
Programme on behalf of Greater Manchester	95.8	91.2	-4.6
TOTAL	495.8	452.8	-43.0
	Reprofiling		-41.4
	Cost Variations		-1.0
	Net over (under) spend		-0.6

- 4.2 There is a capital programme variance of £43.0m between the budget and the outturn position.

4.3 The main changes to the programme since the report to Executive in February 2019 are in the Strategic Development Programme where planned spend is £22.7m lower than budgeted. The main reasons are as follows:

- The fit out of floors 4 and 5 of Heron House, at a cost of £3.8m has been rescheduled for 2019/20.
- Although the legal agreements for the Civic Quarter Heat Network have now been signed this has taken longer than originally forecast and the £3.6m estimated spend for the scheme will now be moved into 2019/20.
- There have been changes to the schedule of works from the contractor with additional fire stoppage works required at One Central Park meaning the final £2.7m will now be spent in 2019/20.
- The £5.1m to support the land acquisitions for the Northern Gateway and the additional works as part of the Eastern Gateway Project will now be required in 2019/20.
- Changes to the planned drawdown of the grant, loan and equity for the City Labs scheme means that £2.0m will now be required in 2019/20 when it is scheduled to complete. The outstanding £2.0m grant for the Digital Business Incubators project has also been made in April 2019 moving it into the next financial year.

4.4 Across the rest of the Capital Programme some of the other main changes include:

- An updated forecast for the Our Town Hall Project, based on the actual tendered costs and the rephasing of some early works. Professional fees for 2018/19 have now been drawn down based on the number of days and following the finalisation of the Management Contractor terms, the cost and drawdown profile has now been amended. As a result £2.6m will be moved in to 2019/20.
- Hardware for the Data Centre Network Design and Implementation project that was scheduled to arrive at the end of March arrived in early 2019/20, meaning the £1.4m budget will be required in next financial year.
- £2.4m for the BioMedical investment programme has been reprofiled in to future years. The company is ahead of progress as set out in the business plan. A variation in the work programme has led to a re-phasing to the timing of the loan drawdown.

4.5 The detail of this report will focus on the Council's Capital Programme outturn for 2018/19. Major variances, by service area are explained below. The implications for the programme from 2019/20 onward are explored towards the end of the report.

5 Highway Services Programme

5.1 The Highways capital programme has spent £38.3m compared to a budget of £37.8m, a variance of £0.5m. The programme is shown in the table below:

Highways	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Highways Planned Maintenance Programme	14.0	17.3	3.3	116.4	116.3	-0.1
Manchester/Salford Inner Relief Road (MSIRR)	6.0	3.7	-2.3	13.9	13.9	0.0
Street Lighting PFI	11.1	12.1	1.0	32.8	32.8	0.0
Mancunian Way and Princess Parkway NPIF	0.4	0.3	-0.1	8.2	9.7	1.5
Other Projects	6.3	4.8	-1.4	119.0	123.1	4.0
Total Highways	37.8	38.3	0.5	290.3	295.7	5.4
	Reprofiling		0.7			
	Cost Variations		-0.3			
	Net over (under) spend		0.1			

- 5.2 The schemes within the current Highways portfolio include the highways improvement investment fund, projects to improve and increase the use of cycle routes which relieve congestion and reduce air pollution from CO₂ emissions, improvements to pedestrian access in areas in the City, improvements to safety measures and schemes to reduce energy consumption for street lighting.

Activities

- 5.3 Following the original contractor going into administration in early March, a new contractor has now been appointed for the Manchester/Salford Inner Relief Road (MSIRR) scheme, with works re-commencing in early April. The overall scheme will not be significantly affected with completion expected in 2020.
- 5.4 An updated methodology to establish the programme of works for the School crossings programme has been agreed and as a result the first seven schemes were awarded to contractors in the final quarter of 2018/19.
- 5.5 Highways are currently developing a localised social value strategy. Companies will be encouraged to align social value offers in areas such as women in construction, employment of ex-forces personnel, and road safety to maximise impact and ensure social value is achieving key outcomes.
- 5.6 The public consultation for the Manchester to Chorlton Cycleway is now complete. The scheme will now cover a wider area and further improvements have been added meaning additional funding from the Greater Manchester Mayor's cycling fund is required.

- 5.7 A social value meeting has been held with Trafford Council regarding the Cycle City Ambitions Grant (CCAG) scheme which crosses Local Authority boundaries. It has been agreed to set joint targets which will be included with tender documentation.
- 5.8 The Carriageway Resurfacing and Prevention programme continues to progress well with patching works and gully cleaning being delivered across the city. The scheme has also seen a Manchester resident recruited by the contractor with training also provided to three Council employees to increase skills available within the internal workforce. A draft programme for year 3 of this scheme has now also been produced.

Variances – All Years

- 5.9 There is an underspend of £0.1m on the Planned Highways Maintenance Programme which backdates to 2014/15. Highways have confirmed that all retentions have been paid for that year.
- 5.10 Various projects in the Highways Portfolio are contributing to the remaining overspend of £5.5m. However, applications for grant funding have been made to cover the costs associated with the Stockport SEMMMS A6 scheme (£2.9m) for works carried out by Stockport MBC on a section of the Council's road network, and work on the Mancunian Way and Princess Parkway NPIF scheme (£1.5m). There is further forecast spend of £1.9m on the Hyde Road Pinch Point Widening scheme due to changes in the design and additional cycling elements being added and it is anticipated this will be funded by the GMCA.

Variances – In Year

- 5.11 The main variances reported are:

Highways Maintenance Programme

- The Carriageway Preventative and Carriageway Resurfacing Programmes have progressed well, with the outstanding works due to poor weather conditions in 2017/18 now completed alongside a significant amount of the 2018/19 programme. Re-profiling of the entire scheme has resulted in an acceleration of £2.9m in 2018/19.
- Drainage works have progressed quicker than expected, resulting in acceleration of £0.7m to 2018/19.
- There has been significant progress on the Large Patching Repairs scheme in the final quarter of 2018/19 with £0.5m budget moved from 2019/20 into 2018/19.
- A revised programme for the Footway schemes now factors in the recent bad weather conditions during the spring. This has resulted in £0.8m of budget being moved in to 2019/20.

MSIRR

- Manchester/Salford Inner Relief Road (MSIRR) has seen £2.3m re-profiling in to next financial year as a result of the main contractor going into administration in early March. As noted in 5.3, a new contractor has now been appointed for the scheme and the works have recommenced.

Street Lighting PFI

- The LED forecast provided by the contractor at the start of the year anticipated that the rate of installation would slow down once works commenced in the City Centre region. However the contractor has been able to remain ahead of the programme and £1.0m has been accelerated into 2018/19.

Other Projects

- The funding agreement for Green Bridge at Airport City will be signed in 2019/20, meaning detailed designs will also be received next financial year. The airport has also delayed construction due to planning permission of an adjacent multi storey car park, which requires a movement of £0.4m into future years.
- £0.5m of budget within the Public Realm Highways scheme will be moved in to 2019/20 to support the works to the Exchange Square Water feature and the Automatic Bollard Replacement project. The tender will go out in April 2019.
- As per forecasts from Stockport Metropolitan Borough Council, the Stockport SEMMMS A6 scheme has total slippage of £0.3m in to 2019/20.
- The Bus Priority Package programme – Oxford Road is near completion with an underspend expected. The remaining budget of £0.2m has been moved to 2019/20 while it is determined if there will be any further costs.

Cost Variation

- A further £0.3m is required for project delivery procurement within the Highways Investment Programme and discussions are ongoing with TfGM regarding the funding.

6 Neighbourhoods Programme

- 6.1 The Neighbourhoods programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

Neighbourhoods Capital Outturn 2018/19

Neighbourhoods	Budget £m	Outturn £m	Variance £m
Environment and Operations	1.3	1.0	-0.3
Leisure	9.7	7.4	-2.3
Libraries	0.7	0.5	-0.2
Total Neighbourhoods	11.7	8.9	-2.8
		Reprofiling	-2.5
		Cost Variations	-0.1
		Net over (under) spend	-0.2

Environment and Operations Programme

- 6.2 The Environment and Operations programme has spent £1.0m compared to a budget of £1.3m. The programme is shown in the table below:

Environment and Operations	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Waste Reduction Measures	0.3	0.3	0.0	4.7	4.7	0.0
Waste Contract	0.5	0.5	0.0	11.5	11.5	0.0
Other Projects	0.5	0.2	-0.3	1.3	1.3	0.0
Total Environment	1.3	1.0	-0.3	17.5	17.5	0.0
	Reprofiling		-0.3			
	Cost Variations		0.0			
	Net over (under) spend		0.0			

- 6.3 The schemes are centred on improving the environment with the main focus on the control of waste disposal and promoting recycling.

Activities

- 6.4 In line with previous forecasts, the remaining budget to procure residual bins to encourage recycling in communal properties and residential housing will be spent within the 2019/20 financial year. A scheme to improve recycling facilities within the City's passageways will now also be progressed by the Environment team.
- 6.5 The Waste Contract scheme is a loan to Biffa for the purchase of vehicles for use within the waste and street cleansing contract. Biffa have purchased a further five vehicles and further purchases are now being considered.
- 6.6 The Smart litter bins project is now to be funded through Clean City funds rather than by borrowing.

Variances – In Year

- 6.7 The Smart Litter Bin scheme is to introduce a 'Bigbelly' bin system that combines smart bin technology with a solar powered compactor which pushes waste down fitting up to eight times more rubbish in the bin. The £0.3m budget for this scheme will be moved in to 2019/20 to firm up the social value implications and associated cost plans to ensure maximum value for money is achieved.

Leisure Programme

- 6.8 The Leisure programme has spent £7.4m compared to a budget of £9.7m, a variance of £2.3m. The programme is shown in the table below:

Leisure	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Parks Programme	1.7	0.8	-0.9	29.4	21.3	-8.1
Indoor Leisure – Abraham Moss	0.7	0.4	-0.3	14.8	14.8	0.0
Indoor Leisure – Moss Side	5.6	5.6	0.0	8.7	8.7	0.0
Other Projects	1.7	0.7	-1.0	38.3	38.3	0.0
Total Leisure	9.7	7.4	-2.3	91.3	83.2	-8.1
Reprofiling			-2.2			
Cost Variations			-0.1			
Net over (under) spend			0.0			

- 6.9 The Leisure Programme provides leisure, sports and park facilities and services to communities across the City to promote health and wellbeing. It includes improvements to energy equipment to reduce consumption to realise economic and environmental benefits. The programme also includes improvements to facilities which are used for events and which may provide an economic benefit.

Activities

- 6.10 Recruitment to the supporting structure for the Parks Development Programme (PDP) is progressing and work is underway to re-profile the budget across the three elements of the programme: Heaton, Wythenshawe and City Wide.
- 6.11 Works at a number of parks are progressing to improve the quality and capacity of play facilities on site. Works at King George V Park is expected to be completed at the end of April 2019, with Wythenshawe and Heaton Park South Play area to follow in early May.
- 6.12 The contractor for the Abraham Moss Leisure Centre was appointed in early 2019/20 with start-up meetings held shortly after. The project team are now working with the contractor to align design and cost with available funding and site investigations are ongoing.
- 6.13 Progress has been made with the proposed refurbishment and ongoing maintenance works at the Manchester Aquatics Centre (MAC) and works to the National Cycling Centre (NCC). For the MAC, Estates Board have agreed to use the £0.9m approved Asset Management Programme (AMP) expenditure for 2019/20 to develop plans to RIBA Stage 2. Ongoing reactive maintenance will continue while discussions are held with the University regarding the current lease on the venue. The same approach to develop

plans to RIBA Stage 2 in order to submit a business case in January 2020 is likely to be followed for the NCC.

- 6.14 Two further projects, funded by external contributions, have been identified by Leisure. Sports England have agreed to fund £0.4m improvement works at the NCC (outside of the works highlighted in 6.13), and Manchester City Football Club's City in the Community are seeking to invest £0.4m in Council assets.

Variances – All Years

- 6.15 Following a review of the proposed Parks Development Programme (PDP), the grant giving body are now more likely to focus grants on historic buildings than parks, which means it can no longer be assumed that they will support the programme. As there is a risk the grant will not be forthcoming the £8.1m grant element supporting the scheme has been removed from the Capital Programme.

Variances - In Year

- 6.16 Various schemes within the Parks programme have seen total slippage of £0.9m. For the Parks Events Infrastructure Project, one remaining work package at Platt Fields Park to alleviate seasonal flooding is outstanding. Works have commenced on site and will finish in early 2019/20 and £0.2m has moved to next year. An arborist issue relating to Heaton Park South play area is likely to result in a two week programme delay and therefore £0.3m will be reprofiled to 2019/20. £0.3m has been reallocated into next financial year in relation to Wythenshawe Park, Northenden Riverside Park and King George V Park due to slight delays in getting contracts signed, meaning works will now complete in early 2019. Lastly, due to the recruitment to the Parks Development Programme (as noted in 6.10) taking longer than expected, the £0.1m budget for 2018/19 will be moved into the next financial year.
- 6.17 For the Indoor Leisure - Abraham Moss project, £0.3m budget has been re-profiled to 2019/20 whilst the contractor's cost plan is being reviewed. This may result in a need to revisit the profiling of the whole scheme.
- 6.18 The Boggart Hole Clough Visitors Centre project is currently on hold while the current cost plans are reconsidered against the available budget. This will be reviewed as part of the Parks Development Programme city wide investment feasibility works. As a result the £0.5m budget will be reallocated to 2019/20.
- 6.19 Works at the Velodrome track have now been completed. The £0.1m contingency element of the budget will be moved in to 2019/20 in case of any defects, although this is unlikely.
- 6.20 Finally, the two recently approved projects; Booth Street Car Park and the Contact Theatre Loan will be actioned early next financial year and hence the combined budgets of £0.4m will be reallocated to 2019/20.

Libraries Programme

6.21 The Libraries programme has spent £0.5m against a budget of £0.7m, a variance of £0.2m. The programme is shown in the table below:

Libraries	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Open Libraries	0.0	0.0	0.0	0.5	0.5	0.0
Other Projects	0.7	0.5	-0.2	2.7	2.5	-0.2
Total Libraries	0.7	0.5	-0.2	3.2	3.0	-0.2
	Reprofiling		0.0			
	Cost Variations		0.0			
	Net over (under) spend		-0.2			

6.22 The library programme seeks to bring up to date accessible technology to communities, provide high quality exhibition areas attracting visitors and residents and create new community meeting spaces.

Activities

6.23 Libraries are reporting 488 registered users at Withington Library as part of the Open Libraries project with this being monitored as a benefit during the ongoing operation of the facility. A 2.7% increase in self-service transactions was reported for 2017/18 as part of the RFID Refresh.

Variances – All Years and In Year

6.24 The roll out of the Central Library ICT project has identified equipment on a revenue lease basis which will provide an improved specification compared to the planned capital purchase resulting in an underspend of £0.2m.

7 Strategic Development Programme

7.1 The Strategic Development programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

2018/19 Strategic Development Capital programme outturn

Strategic Development	Budget £m	Outturn £m	Variance £m
Culture	26.7	28.4	1.7
Corporate Estates	49.2	39.7	-9.5
Development	47.1	32.2	-14.9
Total Strategic Development	123.0	100.3	-22.7
	Reprofiling		-22.1
	Cost Variations		-0.1
	Net over (under) spend		-0.5

Culture Programme

- 7.2 The Culture programme has spent £28.4m compared to a budget of £26.7m, a variance of £1.7m. The programme is shown in the table below:

Cultural	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
	£m	£m	£m	£m	£m	£m
The Factory	26.7	28.4	1.7	138.6	139.4	0.8
Other Projects	0.0	0.0	0.0	26.8	26.8	0.0
Total Cultural	26.7	28.4	1.7	165.4	166.2	0.8
	Reprofiling		0.9			
	Cost Variations		0.8			
	Net over (under) spend		0.0			

- 7.3 The Factory will act as a driver of the next stage of Manchester's and the North's regeneration – with clear cultural, economic, educational and social benefits for the city and the wider region. It will be a new type of venue – one that can commission, produce and present the widest range of opera, dance, theatre, visual arts and popular culture, with an emphasis on new cross-art form collaborations, for a much wider audience than any traditional venue.

Activities

- 7.4 Further activity for the project includes the first cranes being erected and site cabins arriving onsite for occupation by site staff from April 2019 onwards. 51% of the value of work packages are now let.
- 7.5 Laing O'Rourke have submitted their sustainability plan for the project, identifying their social value commitments. This includes 60 mentoring, training, employability skills or career development sessions and 50 work experience placements. Delivery of targets is being monitored by the project team.

Variances – All Years

- 7.6 As part of the report to Executive in January 2017, the City Council approved funding of £20.0m for the scheme from Capital Receipts and Non-recurring Revenue Receipts. At that stage it was estimated the revenue required would be £2.1m. This has now been revised and as per the report to Executive in November 2018, the revised requirement is £1.3m. The difference of £0.8m has now been included in the Capital budget profile and Executive are asked to approve a transfer of £0.8m from the non-recurring revenue receipt to Capital.

Variances – In Year

7.7 As the project has now achieved notice to proceed (NTP) and the programme has now been agreed, the forecast reflects the revised programme cash flow from Laing O'Rourke and the revised fee profile for the design team consultants. A payment to Manchester Quays Limited related to electricity supply was expected to be paid in 2019/20, however was triggered early due to activity on site. As a result the total acceleration of budget in to 2018/19 is £0.9m.

7.8 The other in year variance is in relation to the cost variation of £0.8m noted in 7.6.

Corporate Estates Programme

7.9 The Corporate Estates programme has spent £39.7m compared to a budget of £49.2m, a variance of £9.5m. The programme is shown in the table below:

Corporate Estates	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Asset Management Programme	9.0	7.3	-1.7	37.8	37.8	0.0
Strategic Acquisitions Programme	8.7	10.4	1.7	19.1	19.1	0.0
Hammerstone Road Depot	0.9	0.7	-0.2	15.0	15.0	0.0
Heron House and Registrars	15.8	12.0	-3.8	20.6	20.6	0.0
Carbon Reduction Programme	0.1	0.1	0.0	10.3	10.3	0.0
Civic Quarter Heat Network	6.5	2.9	-3.6	26.0	26.0	0.0
Estates Transformation	5.2	4.4	-0.8	18.0	18.0	0.0
Other Projects	2.9	1.9	-1.0	5.2	5.2	0.0
Total Corporate Estates	49.2	39.7	-9.5	152.0	152.0	0.0
Reprofiling			-9.5			
Cost Variations			0.0			
Net over (under) spend			0.0			

7.10 The programme supports the provision of fit for purpose accommodation for corporate, community and residential use and proactively maintaining and managing the corporate estate which includes reducing carbon emissions.

Activities

7.11 A large number of projects within the 2018/19 Asset Management Programme (AMP) completed on time, including Withington Library roof works and internal remodelling and Heathfield windows and doors replacement. The Arndale

Market safety and ventilation works are also now complete and feedback from the client was positive. A programme of works for 2019/20 has now been agreed.

- 7.12 A construction partner has been appointed for the Hammerstone Road project, and a revised RIBA Stage 3 figure was submitted in March. The final scope, taking into account the potential impact of the HS2 project and costs will be reviewed early in 2019/20. A decision on the direction of the project will be taken once revised costs have been assessed.
- 7.13 Design works are progressing for Alexandra House and the associated car park using the £1.6m approved for site investigations, surveys and design fees. The scheme is scheduled to complete in December 2020. Staff have been relocated to offices on City Road while the refurbishment is underway and a furniture re-use, sale and disposal exercise has been completed. Refurbishment of the Hulme District Offices completed in early 2019/20 with staff now relocated back to the venue.
- 7.14 It was reported to Executive in January that there was a potential issue within the Education and Corporate Estate in cases where aerated concrete had been used during construction. The material was predominantly used between 1950-1980, with a defect recently identified nationally which could lead to the product failing within a 48 year period. A review of MCC buildings constructed within this period was undertaken and all surveys conducted showed no sign of this type of concrete.

Variances – All Years

- 7.15 The Alexandra House car park scheme is being further developed to RIBA Stage 4 and the Design Team and client are looking at options and amendments to the Stage 3 design that will help deliver the project within budget.

Variances – In Year

- 7.16 Various schemes within the Asset Management programme will require re-profiling in to future years. A new contractor has had to be appointed for the Space Roof project and completion will now be in 2019/20. The Central library survey and works will now commence in 2019/20 as further design work is required. While design has been commissioned for the Council's property within the Eastlands estate, the National Football Museum and Bridgewater Hall, some works resulting from this will now be delivered next year. Finally the works at Heaton Park and Hall will now start in 2019/20. As a result, a total reprogramming of £1.7m in to future years is required.
- 7.17 The schedule of works within the Strategic Acquisitions Programme has recently been re-profiled and an acceleration of £1.7m budget in to 2018/19 is required due to negotiations across various projects concluding sooner than expected.

- 7.18 Due to the current position on the Hammerstone Road project as noted in 7.12, the remaining £0.2m budget for 2018/19 will be moved in to 2019/20.
- 7.19 The Heron House and Registrars work has now completed, however the fit out of floors 4 and 5 has been reprofiled into next financial year as a consequence of agreement for lease negotiations with the proposed tenant, procurement routes that had to be taken and various contract negotiations. A further contribution of £0.7m has been received in relation to the fit out of floor 2 and the total programme requires a movement of £3.8m budget in to 2019/20, when the scheme is scheduled to complete.
- 7.20 In line with the latest position reported to Executive, the legal agreements for the Civic Quarter Heat Network have now been signed and the programme of work updated. The budget is now being adjusted accordingly with a need to re-profile £3.6m of the budget into future years.
- 7.21 Elsewhere, the refurbishment of Ross Place Resource Centre has recently completed, however the service are awaiting the final costs and the remaining £1.0m budget will be moved in to 2019/20 until it is determined whether this will be fully utilised.

Development Programme

- 7.22 The Development programme has spent £32.2m compared to a budget of £47.1m, a variance of £14.9m. The programme is shown in the table below:

Development	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Digital Asset Base – One Central Park	9.4	6.7	-2.7	10.8	10.8	0.0
Eastern Gateway – Central Retail Park	1.3	0.3	-1.0	40.4	40.4	0.0
Eastern Gateway – New Islington Marina	1.8	1.5	-0.3	5.2	5.2	0.0
Northern Gateway	3.9	0.0	-3.9	25.0	25.0	0.0
City Labs 2	3.7	1.7	-2.0	3.7	3.7	0.0
Airport City Power Infrastructure	2.4	2.4	0.0	6.0	6.0	0.0
Digital Business Incubators	3.5	1.5	-2.0	4.0	4.0	0.0
Sustaining Key Initiatives	0.0	0.0	0.0	13.6	13.6	0.0
Manchester College	17.6	17.6	0.0	27.6	27.6	0.0
Other Projects	3.4	0.4	-3.0	89.4	88.0	-1.4
Total Development	47.1	32.2	-14.9	225.7	224.3	-1.4
	Reprofiling		-13.5			
	Cost Variations		-0.9			

Net over (under) spend	-0.5
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- 7.23 The Development Programme seeks to provide sustainable growth and transformation of the City, not only to support internal growth but also to retain international competitiveness by promoting opportunities to develop the City's fabric, infrastructure, business and skills base and connecting local communities to employment opportunities.

Activities

- 7.24 The remaining £2.0m grant funding in relation to the Tech Hub must be spent prior to Summer 2019 and work is ongoing to finalise the business case.
- 7.25 The statue in Lincoln Square has been removed to enable public realm works to be undertaken. Highways are currently reviewing proposals including the transfer of land and future use of the public realm.
- 7.26 An enhanced proposal for Piccadilly Gardens is being developed by the City Centre Regeneration team with a public consultation due to take place in Summer 2019.

Variances – All Years

- 7.27 The East Manchester retentions carried forward from previous years are no longer required and the £0.5m released is available for use against the Eastern Gateway – New Islington Marina project within the Development programme.
- 7.28 There is a £0.9m underspend against the disposal of the Collyhurst police station as part of the Northern Gateway scheme, as the outstanding amount was deducted from the initial premium paid by our joint venture partner when the legal agreements were put in place. A cost variation is requested for this.
- 7.29 The nature of the Sustaining Key Initiatives project is that it is required as and when projects necessitate support which means forecasting spend is difficult. Budget provision remains which can be accelerated into 2019/20 as and when required.

Variances – In Year

- 7.30 There is a requirement to move £2.7m budget for the Digital Asset Base – One Central Park into the next financial year due to the contractor being slightly behind schedule and additional fire stopping works being undertaken. The outstanding packages of work are expected to be completed in 2019/20.
- 7.31 Demolition works at Central Retail Park have commenced, however there is slippage of £1.3m on the Eastern Gateway schemes whilst appropriate due diligence is being undertaken.

- 7.32 Discussions regarding the Northern Gateway scheme are ongoing. The intention is to support the acquisition of land for the joint venture in a manner which mitigates the risks to the City Council. The £3.9m set aside for acquisition in 2018/19 will be moved to next financial year.
- 7.33 City Labs 2 will require movement of £2.0m budget in to 2019/20 due to a shift in drawdown timings, caused by getting the grant agreement signed, agreeing the Evergreen loan and an equity raise process that was completed to ensure the scheme was fully funded. The scheme is expected to fully complete in 2019/20.
- 7.34 The outstanding grant payment for the Digital Business Incubators project will now be paid in early April 2019 when the contractor will be in a position to commence the refurbishment work. As a result the remaining £2.0m budget will be moved in to 2019/20.
- 7.35 There is slippage of £0.2m on the Medieval Quarter Public Realm as site surveys originally scheduled for December didn't take place until early spring. Construction will begin in April 2019 until the end of November 2019 with a project budget of £1.7m.
- 7.36 The Space Project – Phase 2 has completed the Tenant Fit Out element of Space Studios, against which there are potential savings of £1.0m. Further work is being completed and in the interim the £1.0m budget will be moved in to 2019/20.
- 7.37 Other in year variances relate to the underspends in 7.27-7.28.

8 Our Town Hall Refurbishment

- 8.1 The Our Town Hall Refurbishment programme has spent £8.5m compared to a budget of £11.1m, a variance of £2.6m. The programme is shown in the table below:

Our Town Hall	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Our Town Hall Refurbishment	11.1	8.5	-2.6	305.2	305.2	0.0
Total Our Town Hall Refurbishment	11.1	8.5	-2.6	305.2	305.2	0.0
	Reprofiling		-2.6			
	Cost Variations		0.0			
	Net over (under) spend		0.0			

Activities

- 8.2 The Our Town Hall Refurbishment programme continues at pace, with the contractors RIBA Stage 3 report approved, and the team reaching agreement

with stakeholders about the scope and extent of many of the work packages. Feedback from public consultation events has been positive and these will continue to take place.

- 8.3 TfGM are undertaking traffic modelling to assess the proposed options for Albert Square for through traffic under 'business as usual' and 'event' conditions.
- 8.4 Workshops are scheduled for 2019 to ensure: design proposals will guarantee the building will be accessible to all, the finalisation of the management contract with Lendlease, scope and cost of early works are finalised and progress is made on the appointment of a suitable mechanical, electrical and plumbing contractor.
- 8.5 The responsibility for the building will transfer to the Management Contractor from May 2019, and they will then be responsible until the building is handed back to the Council in 2024. This will include Planned Preventative Maintenance, security, housekeeping operations along with reactive repairs in the building. Once the asset is transferred to the Management Contractor then the expenditure to run the building will be capitalised. Executive are asked to approve a funding switch of £32k from Capital to Revenue to pay for Planned Preventative Maintenance (PPM) works scheduled for April 2019 before the building formally transfers.

Variances – In Year

- 8.6 The forecast is now based on the actual tendered costs and some early works have now been re-phased in 2019/20. Professional fees for 2018/19 have been drawn down based on the number of days and following the finalisation of the Management Contractor terms, the cost and drawdown profile has been amended to reflect the commercial agreement. There was also a reduction on spend of ICT de-commissioning. As a result a total of £2.6m has been moved into 2019/20.

9 Housing - General Fund

- 9.1 The Private Sector Housing programme has spent £26.8m compared to a budget of £27.8m, variance of £1.0m. The programme is shown in the table below:

Private Sector Housing (General Fund)	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Brunswick PFI Land Assembly	2.4	2.6	0.2	9.5	9.5	0.0
Disabled Facilities Grant	8.1	8.2	0.1	53.9	53.9	0.0
Extra Care	3.6	3.6	0.0	6.0	6.0	0.0
Ben St Regeneration	5.6	4.9	-0.7	15.6	15.6	0.0

Marginal Viability Fund – New Victoria	0.0	0.0	0.0	10.1	10.1	0.0
Marginal Viability Fund – Bowes Street	0.0	0.0	0.0	3.3	0.0	-3.3
Other Projects	8.1	7.5	-0.6	90.3	90.3	0.0
Total Private Sector Housing (General Fund)	27.8	26.8	-1.0	188.7	185.4	-3.3
	Reprofiling		-1.0			
	Cost Variations		0.0			
	Net over (under) spend		0.0			

- 9.2 The Private Sector Housing programme focuses on providing affordable housing including the facilities, adaptations and community focus required.

Activities

- 9.3 Major progress has been made on the redevelopment of the Turkish Centre within the Brunswick PFI Land Assembly scheme, with a final valuation for the build and fees expected in early 2019/20.
- 9.4 The Disabled Facilities Grant 2018/19 has been spent on mandatory and discretionary adaptations to people's homes. The remaining allocation from prior years will be carried forward in to 2019/20.
- 9.5 Plans are progressing for the development of the former Spire Hospital site in Whalley Range to provide extra care accommodation. It is expected that there will also be residential homes for sale. The financial model is being reviewed to ensure affordability and the project scope and risks are being finalised, with a business case expected in early 2019/20.
- 9.6 The current phase of the Ben Street project has completed on time and to specification.

Variances – All Years

- 9.7 The funding and delivery model associated with the Marginal Viability Fund – Bowes street scheme has been re-evaluated, with alternative options being explored. This will be subject to consultation with the Executive Member for Adult Health and Wellbeing as well as local stakeholders. In the interim, the £3.3m has been removed from the Capital Programme budget.

Variances – In Year

- 9.8 Acceleration of £0.2m budget for the Brunswick PFI Land Assembly scheme is required due to the progress noted in 9.3.

- 9.9 The Disabled Facilities Grant has been accelerated by £0.1m due to exceeding the anticipated number of completed adaptations within the financial year.
- 9.10 Reprofiling of the Ben Street Regeneration project is required, due to the contingency and risk retention budgets not being utilised in 2018/19. Therefore, a total of £0.7m budget will be moved in to 2019/20.
- 9.11 The budget for the West Gorton Community Park scheme is being reviewed, including the link to the European Community Fund – research project, looking at the impact of green space on climate change. Whilst the scheme is under review, the remaining £0.5m budget for 2018/19 will be re-profiled in to 2019/20.
- 9.12 There are various other projects within the Private Sector Housing portfolio that collectively require budget re-profiling in to future years of £0.1m.

10 Housing Revenue Account (HRA)

- 10.1 The Public Sector Housing (HRA) programme has spent £15.2m compared to a budget of £16.7m, a variance of £1.5m. The programme is shown in the table below:

Public Sector Housing (HRA)	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Northwards	9.5	8.7	-0.8	124.7	124.7	0.0
North Manchester New Builds	7.2	6.2	-1.0	21.4	21.4	0.0
Other Projects	0.0	0.3	0.3	47.8	47.3	-0.5
Total Public Sector Housing (HRA)	16.7	15.2	-1.5	193.9	193.4	-0.5
	Reprofiling		-1.8			
	Cost Variations		0.3			
	Net over (under) spend		0.0			

- 10.2 The Public Sector Housing programme seeks to bring the estate up to and maintain Decent Homes standard including statutory health and safety regulations and the reduction of CO2 emissions.

Activities

- 10.3 The Northwards 2019/20 capital programme is currently being developed, along with business cases for Riverdale Maisonette improvements and demolition works and Low Rise blocks fire safety assessments. External factors, mainly relating to the Grenfell inquiry, have severely delayed the Northwards programme in this financial year.

- 10.4 Northwards have reported that 287 non-decent properties were refurbished to Decent Homes standard in 2018/19, and that energy efficiency targets are being exceeded. Northwards plan to commence further major improvements across their portfolio in early 2019/20 which will contribute further to the Decent Homes standards objectives. This will incorporate fire safety works including sprinkler systems. Work is continuing on sprinkler demonstration flats, with open days ongoing for tenants to view the system and ask any questions.
- 10.5 A scheme to provide communal heating for 270 properties through a ground source heat pump is being progressed, following confirmation of 50% match funding from European Regional Development Fund (ERDF).

Variances – All Years

- 10.6 There is a £0.5m variance to the Parkhill Land Assembly budget across all years. The legal title of the area is now under the Council's ownership and land remediation works have commenced. This underspend in future years is in relation to Homes England grant funding no longer being available.

Variances – In Year

- 10.7 Across the whole of the Northwards programme of works, there is a requirement to move £0.8m budget in to next financial year. This is due to various reasons such as delays in completing final accounts, potential savings that have been identified which won't be confirmed till next year, or other slight changes to schedules of works.
- 10.8 The North Manchester New Builds (NMNB) scheme will require total budget re-profiling of £1.0m in to next financial year across various tranches of the project. NMNB1 for the delivery of 60 new build units will slip £0.4m due to delays caused by the Utilities. A capital budget increase for NMNB3 was requested in March 2019 for additional funding to enable the development process to proceed, which will begin in early 2019/20 meaning that £0.6m budget will be moved to next year.
- 10.9 £0.3m of expenditure from the Asset Management Programme in relation to Woodward Court has been transferred to the HRA due to the asset being under HRA control.

11 Children's Services

- 11.1 The Children's Services programme has spent £29.8m compared to a budget of £31.6m, a variance of £1.8m. The programme is shown in the table below:

Children's Services	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Basic Need and SEND Programme	28.1	27.3	-0.8	300.7	300.7	0.0
School Maintenance programme	2.3	2.1	-0.2	18.8	18.5	-0.3
Other Projects	1.2	0.4	-0.8	5.6	5.5	-0.1
Total Children's Services	31.6	29.8	-1.8	325.1	324.7	-0.4
	Reprofiling		-1.7			
	Cost Variations		-0.1			
	Net over (under) spend		0.0			

- 11.2 The main focus of the children's services programme is to provide additional school places for children across the City and maintain the school buildings. Ensuring that there is investment in modern, energy efficient and high quality education infrastructure which drives reductions in carbon across the estate of schools, 85% of materials are locally sourced and contractors recycle more than 75% of waste products.

Activities

- 11.3 Progress is being made expanding alternative provision (AP) and Special Educational Needs (SEN) provision at sites across the City including Burgess and Northridge. The tender exercise to appoint a contractor for the Northridge works has completed with the contract report to be drafted. The tender documents for the four other schools within the SEN programme of works are due to go out in mid-April to be returned mid-May, with works scheduled to start in May 2020.
- 11.4 The 2018/19 Schools Maintenance Programme is complete and final accounts are being agreed. Design work to support the 2019/20 Schools Maintenance Programme is nearing completion with several schemes already out for pricing with the contractors. Programming of these works will, where possible, provide for delivery during the summer break or where this cannot be achieved, with minimum disruption to the operation of the school.
- 11.5 Earlier this year, an issue regarding potential defects to buildings constructed using aerated concrete within the Education estate was identified. Schools potentially affected by this issue were all contacted and have now all been surveyed, with no instances of this type of concrete found.

Variances – All Years

- 11.6 The Schools Maintenance allocation for 2019/20 was released in March 2019, with Manchester due to receive £2.7m. Before the allocation was announced,

an estimated £3.0m was put in to the budget, hence this has now been reduced by £0.3m.

- 11.7 There is a £0.1m underspend on the project to install additional toilets at the Greenheys Adult Education Centre on Upper Lloyd Street due to costs being funded from revenue budgets.

Variances – In Year

Basic Need Programme

- 11.8 Within the Basic Need programme, the contingency budgets against various recently completed projects will be moved in to 2019/20 until it is clear how much, if any will need to be utilised:
- The contingency budget of £0.1m against the Crossacres Primary School project to build an eight modular class building and multi-use hall will be moved in to 2019/20. The programme is complete and was handed over with a few minor issues being dealt with during the defects liability period. This period ends in September 2019.
 - Works to expand the Co-op Academy are now complete, with the contingency budget of £0.4m moved in to 2019/20 until it is clear how much of the of this the Trust will claim.
 - £0.1m contingency budget for the Beaver Road project to construct new school accommodation on the site of the former Manchester Metropolitan University Halls of Residence will also be moved in to 2019/20. This was retained for the defects liability period and there will not be any spend against it in 2018/19.
- 11.9 Within the Basic Need Programme, there is potential budget provision for a new high school at Matthews Lane to increase the number of secondary places in the central and eastern area of the City. Initial works at the site have been completed, however the project is currently paused pending a review of the number of school places required in the context of both the Council's Basic Need Programme and the Government's Free School Programme. The remaining £0.2m budget for 2018/19 will be moved in to 2019/20.

Schools Maintenance Programme

- 11.10 Within the Schools Maintenance programme, the schemes to rewire Cheetwood Primary school and Crowcroft Primary school are now complete with an underspend of £0.2m collectively. These funds will be vired back into the unallocated Schools Maintenance budget to be utilised on other projects.

Other Projects

- 11.11 The Universal Infant Free School Meals (UIFSM) Grant allocated to the Council to help schools improve their kitchen and dining facilities has an

unallocated budget of £0.4m for 2018/19. This will be reallocated for use in 2019/20.

11.12 £0.3m budget for the Gorton Youth Zone scheme will be moved into the next financial year as there was a slight delay in getting the Development Agreement and property deal signed off by the Legal team. This has now been completed and an invoice is expected to be submitted soon, upon which the next drawdown will take place.

11.13 The remaining £0.1m is the underspend on Greenheys toilets, referred to in 11.7.

12 ICT Capital Programme

12.1 The ICT programme has spent £3.7m against a budget of £6.3m, a variance of £2.6m. The programme is shown in the table below:

ICT	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
New Social Care System	2.0	1.3	-0.7	3.2	3.2	0.0
ICT Investment Plan unallocated	0.0	0.0	0.0	28.4	28.4	0.0
Other Projects	4.3	2.4	-1.9	43.3	43.3	0.0
Total ICT	6.3	3.7	-2.6	74.9	74.9	0.0
	Reprofiling		-2.6			
	Cost Variations		0.0			
	Net over (under) spend		0.0			

12.2 The aim of the ICT programme is to reduce key risks, decommission legacy platforms and to create a simpler, more robust, resilient and easier to support environment. The programme will move towards a modern infrastructure whilst adding business value.

Activities

12.3 An Interim ICT Director has now been recruited who started in May 2019.

12.4 The ICT Capital Investment plan is being reviewed in order to ratify the committed spend against the overall budget allocated. A roadmap is also being constructed to inform the order and interdependencies of ICT projects which will also support allocation of the remaining budget across future years. The Digital Experience Programme will form part of this assessment as it identifies upgrades to infrastructure required to support future developments and improve the service the council offers to residents.

- 12.5 Plans to procure and implement a new and updated Wider Area Network (WAN) are underway. This will provide a new fit for purpose network which delivers adequate and appropriate bandwidth for all sites, together with the capacity, resilience and security to transport services such as Telephony and Wi-Fi. ICT have gone out to tender for a new telephony platform with the intention to award the contract at the end of August 2019.
- 12.6 The scheme to implement both a new social care system – Liquid Logic and a new social care payments system – ContrOCC has been reviewed and it is now planned to conclude at the end of July 2019 when both systems will go live. The project intends to automate many of the processes that support social care payments, and improve reporting and performance monitoring to enable tracking of activities and finances. An e-learning training module has been issued to all intended users along with ‘Stop the Clock’ training sessions to support staff in completing this training.

Variances – In Year

- 12.7 For the new social care system Liquid Logic, payment dates have now changed meaning that £0.7m needs to be re-profiled in to future years. The payments were due to be made at the end of cycle 6 of testing, for user acceptance testing (UAT) in its entirety, however it has now been decided that a 7th round of testing is required. This will happen in May/June prior to the go live date in July, and as a result the final payment will need to be made in 2019/20.
- 12.8 Kit for the Data Centre Network Design and Implementation project that was scheduled to arrive at the very end of March has arrived in early 2019/20, and as a result £1.4m will need to be reprofiled in to next financial year.
- 12.9 A business case to support the Council’s adherence to compliance regulation has recently been approved. This will also ensure that core infrastructure is fully supported and secure to enable improved performance and platform stability. Works will begin next year and as such, the £0.3m budget will be moved in to 2019/20 when the project is expected to complete.
- 12.10 The Core Infrastructure Refresh project has not yet completed the migration to new storage hardware and data domains with DellEMC. The project was expected to complete in 2018/19, however due to slight delays will now complete in early 2019/20 meaning that the remaining £0.1m budget will be required next financial year.
- 12.11 Various other projects within the ICT portfolio require movement of £0.1 total budget in to future years.
- 12.12 ICT have requested to combine the budgets for the Communications Room Replacement Phase 2 and the Corporate Wifi schemes as a single supplier will be sought to deliver both projects under one project manager. Procurement is due in July relating to both projects.

13 Corporate Services Programme

13.1 The Corporate Services programme has spent £130.0m compared to a budget of £134.0m, a variance of £4.0m. The programme is shown in the table below:

Corporate Services	18/19 Budget £m	18/19 Outturn £m	18/19 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Integrated Working – Gorton Health Hub	1.4	0.9	-0.5	22.8	22.8	0.0
Airport Strategic Investment	125.0	124.2	-0.8	125.0	124.2	-0.8
Other Projects	7.6	4.9	-2.7	25.1	25.1	0.0
Total Corporate Services	134.0	130.0	-4.0	172.9	172.1	-0.8
	Reprofiling		-3.2			
	Cost Variations		-0.8			
	Net over (under) spend		0.0			

Activities

13.2 Included in the Corporate Services programme is Gorton Health Hub which will bring together key organisations responsible for tackling worklessness and low skills. The business case is due in mid May which will request funding to continue the RIBA process and established partner commitments as part of the overall function of the completed asset.

13.3 As detailed in the reports to Executive on 18th October 2017, in order to drive further growth, substantial capital expenditure is required at both Manchester and Stansted Airports. Both airports have terminal transformation projects. The Council has provided a term loan facility of £124.2m as one of the public sector shareholders along with the other District Councils.

Variances – All Years

13.4 The final instalment of the Airport Strategic Investment was paid in December 2018, and the total investment was £0.8m less than originally budgeted for, hence there is an underspend across all years.

Variances – In Year

13.5 There has been slippage of £0.5m on the Integrated Working – Gorton Health Hub scheme, due to the discovery of an unknown 900mm sewer on site which led to stoppage time while a project review took place to determine how it would be dealt with in the design.

13.6 Due to slight delays with property agreements and building fit outs for the Phase 1 Implementation – Locality Plan Programme Office works, the project

is now expected to finish in 2019/20 and as a result £0.3m has been moved into 2019/20.

- 13.7 For the BioMedical Investment programme, the company is ahead of progress as set out in the business plan. A variation in the work programme has led to a re-phasing to the timing of the loan drawdown. The remaining £2.4m budget from 2018/19 will be moved in to 2019/20.

14 Capital Financing 2018/19

- 14.1 The funding of the 2018/19 Capital Programme is summarised below:

	£m	%
Capital Expenditure	452.8	
Financed by:		
Government Grants	76.5	16.9%
Other External Contributions	12.1	2.7%
Capital Receipts	41.1	9.1%
Revenue Funding	9.0	2.0%
Major Repairs Reserve	14.1	3.1%
Borrowing	300.0	66.2%

- 14.2 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 2018/19.

- Any unused grant, subject to conditions, has been carried forward in to 2019/20 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 2018/19. Similarly, any external contributions that have not been used will be carried forward in to 2019/20.
- The balance of available capital receipts carried forward from 2017/18 was £72.0m. A further £51.0m receipts were received in 2018/19. Drawdown of capital receipts was £41.1m leaving a balance for use in future years of £81.9m, of which £54.9m relate to Housing, plus any new receipts generated in 2019/20.
- Revenue contributions were used to finance expenditure of £9.0m, including works on Strategic Acquisitions, the HRA, and to fund ICT expenditure.
- 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.
- Borrowing of £300.0m has been used to fund the programme. This figure is higher than in previous years, in the main due to the £124.2m term loan facility paid to Manchester Airport to support their transformation project, and a further £74.6m borrowing used to support the Housing Investment Fund.

- The minimum revenue provision for 2018/19 was £20.9m. This is the funding set aside to repay the debt incurred through funding previous capital expenditure through borrowing. This has been funded from the Council's capital financing budget.

15 Capital Programme Re-phasing and Variations 2019/20 to 2023/24

- 15.1 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 2019/20 to 2023/24. The cumulative impact of these adjustments are shown in the table below. The future programme will be reviewed throughout 2019/20 to reflect changes to the proposed profile of spend.

Proposed Capital Programme variations 2018/19 to 2023/24

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total Programme £m
Revised Capital Budget (March 2019)	495.8	509.0	420.3	244.3	87.0	39.0	1,795.2
Forecast Re-profile	-41.4	2.6	17.6	0.5	11.3	9.2	0.0
Cost Variations	-1.0	-1.9	-1.0	-2.7	-2.2	0.0	-9.0
Proposed Capital Budget	453.3	509.7	436.9	242.0	96.1	48.2	1,786.2
<i>Of which:</i>							
Manchester City Council Programme	362.1	358.5	398.9	242.0	96.1	48.2	1,505.8
Programme on behalf of Greater Manchester	91.2	151.2	38.0	0.0	0.0	0.0	280.4

- 15.2 Further details regarding the proposed adjustments to the programme are given below.

Budget re-profiling:

- 15.3 As highlighted in the narrative of this report, various schemes throughout the capital programme are now forecast to be accelerated into 2018/19, or have been moved to 2019/20 or future years. The budgets for these projects will be re-profiled to reflect the changes, and the revised budget profiles are shown at Appendix C.

Virements

- 15.4 Various schemes across the programme require virements in 2018/19 and 2019/20, as shown in Appendix A.
- 15.5 The Council is recommended to approve virements over £0.5m within the capital programme as outlined in Appendix A.

- 15.6 The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in Appendix A.

Cost Variations

- 15.7 Various schemes across the programme require cost variations to reflect their updated forecast. Details of these can be found in Appendix B. For major cost variations, the reasons are detailed in the project narrative in the earlier sections of this report.

16 Risks to the Future Forecasts

- 16.1 The Capital Budget is prepared on the best estimate of the spend profile for each scheme across its life. The format of the monitoring report has been updated to monitor the total cost of the scheme across the total life of the scheme and the budget and spend profile are updated as the scheme develops. As such the budget profile will always be subject to change and some of the main factors which may lead to changes being required are outlined below.
- 16.2 All projects carry risk such as delivery risk, third party risk and market risk. Whilst the updated forecasts reflect officers expectations based on existing and planned works, these may change as projects develop and in response to wider market changes.
- 16.3 The programme also contains some budgets which are yet to be allocated to specific projects but are reserved for a specific purpose, such as Basic Need funding for additional school places, the Highways Investment Fund and the ICT Fund. This is predominantly because the future projects are not yet at the stage where procurement can take place, or are dependent on other projects completing. The current forecast profile of spend is based upon service's view as to the expected timescales for project initiation, completion and cost, and once projects are approved through the Council's capital approval process the budgets will be allocated and the Capital Budget updated accordingly.
- 16.4 This creates some uncertainty in the programme, but ensures that the programme reflects the likely use of resources and enables agile approval processes for relevant projects as they are developed. These budgets are carefully monitored throughout the financial year and, if the expected programme of works changes, the impact on the forecast will be reported at the earliest opportunity.
- 16.5 Specific risks have been identified across the capital programme and are detailed below. Whilst efforts have and will be made to mitigate these risks, they cannot be removed and therefore the future forecast may change. Directorate teams are required to monitor and report risk as part of their regular capital monitoring processes. This will form part of the monitoring reports to members throughout the financial year.

Highways

- 16.6 The Highways programme for 2019/20 contains a high number of large and strategically important projects for the highway network. Whilst the service is working to ensure that the works can be delivered to the timescales indicated, this will require the successful mitigation of a number of key and significant risks.
- 16.7 With the nature of the projects in Highways, there are inherent risks around external factors, such as weather conditions, which can hinder the schedule of works. The availability of appropriately skilled resources has also been identified as a significant risk to the timely delivery of projects, with efforts being made to recruit to vacant posts and secure the skills required.
- 16.8 Extensive consultation and engagement with stakeholders to manage expectations within available budgets and realistic timescales is undertaken to minimise the risk of scope creep. Additional funding opportunities through partners are also routinely explored in order to increase project scope.
- 16.9 Failure to complete the land acquisition necessary to support proposals for the Department for Transport (DfT) Pinch Point Widening scheme on Hyde Road may impact deliverability. The construction programme may need to be phased to allow work to progress where ownership is not an issue.

Neighbourhoods

- 16.10 External funding can form a significant part of available budgets to support parks improvements but is subject to lengthy negotiation and is not always successful. The risk profile has been updated to include the ability to secure match funding from external partners including Historic England and the Heritage Lottery Fund. This will be monitored by the programme board.
- 16.11 Recruitment to the Parks Development Programme team needs to be successfully completed to enable the feasibility studies and options appraisals required to support future delivery to be completed.

Strategic Development

- 16.12 The risk profile for the Factory focuses on ensuring the project is delivered within the agreed budget and timescales and the delivery and installation of the steel required for the building construction.
- 16.13 It should be noted that there are a number of significant elements of the Corporate Estates programme, such as the 2019/20 Strategic Acquisitions programme, which are dependent on negotiations with third parties in order to achieve a successful outcome e.g. for land acquisitions. As a result the budget profile is a best estimate and is likely to change. There may also be pressure on the Strategic Acquisitions budget as city wide strategies evolve. The programme is currently subject to a detailed review and prioritisation exercise.

- 16.14 Delivery of the Carbon Reduction Programme is dependent on the availability of suitable resources which are unavailable in-house. Officers are exploring best practice and lessons learnt from other Local Authorities, as well as seeking an appropriate route through the various available frameworks. Each project within the programme will be tightly monitored and reported to ensure that early action can be taken to address any issues as they arise.
- 16.15 Ability to secure resources and suppliers in a buoyant market is a risk to the Estates Transformation Programme. It is being mitigated through early and ongoing planning to inform pipeline decision making about resource availability and allocation.
- 16.16 There is a carefully planned rolling programme of activity to assess and address end of life replacements and close collaboration with Capital Programmes colleagues to ensure momentum is maintained. This may lead to a change in priorities during the year.
- 16.17 The Eastern Gateway - Central Retail Park project may require re-profiling dependant on the scheme of works for the remediation of the site, which is still to be determined.

Our Town Hall

- 16.18 Due to the size, duration and nature of the programme, risk will be carefully managed through and across the various work packages. Site investigations and early works are vital to inform the design and cost aspects.
- 16.19 At this early stage of the project the spend profile remains uncertain. Once the project receives Notice to Proceed (NTP) a more detailed timeline of work will be agreed. Again it is likely that the budget profile will change.
- 16.20 In addition, external factors such as supply chain uncertainty and the availability or otherwise of sufficient and appropriate specialists to ensure the quality of the finished work, will require careful monitoring to ensure early action can be taken to reduce any negative impact on cost and programme.

Housing General Fund

- 16.21 Delays with acquisitions, refurbishment works or sales could potentially result in the Empty Homes Programme being delayed with action needed to minimise the amount of time the Council is responsible for the properties. Similarly, delays to Extra Care schemes could impact on savings projected by Adult Services and the availability of funding from third parties. Given the early stage of this project this risk is not quantifiable but will be closely monitored.

Housing Revenue Account

- 16.22 The Northwards programme relies on the performance of a number of contractors to deliver projects which creates a risk of delays. Ongoing

monitoring of performance and regular communication with partners are used to manage risks in these areas.

- 16.23 There are risks around obtaining listed building consent and planning approvals required for some of the projects, to be managed through timely collaboration with colleagues in Planning and design teams.

Children's Services

- 16.24 As the DfE have confirmed that Manchester will receive no Education Basic Need funding in 2020/21 due to significant investment planned in free schools, the forward plan for the Education Programme will be dependent on the decision on the next wave of free schools. The statutory duty to provide places belongs to the City Council and the relationship with the DfE is key in ensuring that the free school places are delivered on time in order that the duty can be met.
- 16.25 There is a further risk around the Council's ability to meet the continued growth of pupil numbers – particularly in-year school admissions which is more difficult to accurately project and manage. There is also a risk around the pace of residential development and the demand for school places outweighing the available supply in particular areas of the City. To offset these risks, the Director of Education is currently developing a School Places plan for 2020 to 2025 using forecasted demand to ensure that there is sufficient high quality school places available in the right areas across the City although this is dependent on identifying appropriate sites in the right areas.

ICT

- 16.26 ICT projects are often interdependent which can lead to adjustments to the schedule of activity should changes occur in a particular project. Some projects may need external support and advice to be delivered and this may create delays as such work is completed.
- 16.27 ICT projects are subject to external factors such as cyber security risks as an incident could result in data unavailability or loss, impacting the Council's critical applications and services. The Council has PSN compliant infrastructure and up to date anti-virus software to mitigate this. The use of end of life software and hardware form part of the ICT risk profile to ensure ongoing operation of systems and hardware.
- 16.28 Ongoing risks around expiration of licenses and support contracts are managed through monitoring and review at operational and strategic level, taking into account costs associated with maintaining or changing existing arrangements into future years.

Corporate Programme

- 16.29 The nature and scope of the schemes within the Corporate Programme mean that the Council is highly reliant on third parties in determining the likely profile of spend and there is therefore a risk of external factors causing delays.

17 Social Value

- 17.1 All capital business cases are required to provide information on social value impact likely to be generated as part of the scheme. These include details of employment of local residents, training of local residents, improvements in key health outcomes, support of community cohesion, improvement in key education outcomes, help to other excluded groups and promoting environmental sustainability. These are considered as part of the scheme approval process via the Checkpoint system. Work is on-going as part of improving overall contract monitoring to review the monitoring of these activities.

18 Capital Resources

- 18.1 The capital programme is reviewed on an ongoing basis to confirm the capital resources required to finance capital spend are in place and the future years programme is fully funded. Work will continue to ensure that the resources required to finance the capital programme are secured and the level of prudential borrowing remains affordable.
- 18.2 The Deputy Chief Executive and City Treasurer will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the City Council.
- 18.3 The requirements of the capital programme over the next five years are significant and both spend and funding streams will require close monitoring, particularly with the level of uncertainty for future funding allocations.

19 Key Policies and Considerations

(a) Equal Opportunities

- 19.1 By investing in building adaptations, access for people with mobility difficulties is made easier.

(b) Risk Management

- 19.2 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 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

19.3 None.