

Manchester City Council Report for Resolution

Report to: Executive - 15 January 2020

Subject: Capital Programme Update

Report of: Deputy Chief Executive and City Treasurer

Summary

This report informs members of requests to increase the capital programme, seeks approval for those schemes that can be approved under authority delegated to the Executive and asks Executive to recommend to the City Council proposals that require specific Council approval.

Recommendations

1. To recommend that the Council approve the following changes to Manchester City Council's capital programme:
 - a) Children's Services – Special educational needs and disability (SEND) Expansions. A capital virement of £0.866m is requested from Education Basic Need Unallocated, funded by Government Grant.
 - b) Neighbourhoods – Abraham Moss Leisure Centre. A capital budget increase of £7.249m in 2021/22 is requested funded by borrowing, and revenue budget increase of £0.210m, funded by Capital Fund.
 - c) Children's Services – Acquisition of Land at Hyde Road. A capital budget increase of £13.169m is requested, initially funded by borrowing.
 2. Under powers delegated to the Executive, to approve the following changes to the City Council's capital programme:
 - d) Children's Services – Ghyll Head. A capital budget increase of £1.116m is requested, funded by capital receipts.
 - e) ICT – Data Centre Programme Additional Funding Request. A capital budget virement of £0.450m is requested from the ICT Investment Plan, funded by borrowing.
 3. To note increases to the programme of £0.416m as a result of delegated approvals.
 4. To note update on Integrated Working - Gorton Health Hub project.
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Wards Affected - Various

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city

All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Contributions to various areas of the economy including investment in ICT services, Housing, and leisure facilities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Investment provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improvements to services delivered to communities and enhanced ICT services.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in cultural and leisure services and housing.
A connected city: world class infrastructure and connectivity to drive growth	Through investment in ICT and the City's infrastructure of road networks and other travel routes.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The recommendations in this report, if approved, will increase the revenue budget by £0.210m.

Financial Consequences – Capital

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £21.534m across the financial years as detailed in Appendix 1.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

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

Report to the Executive 13th March 2019 - Capital Programme Update

Report to the Executive 26th June 2019 - Capital Programme Update

Report to the Executive 24th July 2019 – Capital Programme Update

Report to the Executive 11th September 2019 – Capital Programme Update

Report to the Executive 16th October 2019 – Capital Programme Update

Report to the Executive 13th November 2019 – Capital Programme Update

Report to the Executive 19th December 2019 – Capital Programme Update

1.0 Introduction

- 1.1 This report outlines the requests for changes to the capital budget from 2019/20.

2.0 Background

- 2.1 In February each year, the Executive receives a report on the capital budget for the forthcoming five financial years and approves a series of recommendations to make to the City Council. The City Council's resolutions on these recommendations constitute the approval of the five-year capital programme for the City Council. Proposals for the capital budget were presented to the Executive on 13th February 2019.
- 2.2 The capital programme evolves throughout the financial year, and as new projects are developed they will be reviewed under the current governance framework and recommendations made regarding whether they should be pursued.
- 2.3 The following requests for a change to the programme have been received since the previous report to the Executive on 19th December 2019.
- 2.4 Please note that where requests are made in the report to switch funding from capital to revenue and to fund the revenue spend from the Capital Fund, this is a funding switch from within the capital programme and will not have a negative impact on the Fund itself.
- 2.5 For the changes requested below, the profile of the increase, decrease or virement is shown in Appendix 1 for each of the projects.

3.0 City Council's Proposals Requiring Specific Council Approval

- 3.1 The proposals which require Council approval are those which are funded by the use of reserves above a cumulative total of £2.0m, where the use of borrowing is required or a virement exceeds £0.500m. The following proposals require Council approval for changes to the capital programme.
- 3.2 Children's Services – SEND Expansions. The projects will provide additional special school places to meet growing demand for provision by Manchester residents. Ashgate Primary School and Melland High School will increase pupil admission numbers by 16 places each to facilitate admittance of pupils with Education, Health and Care plans. A capital budget allocation and transfer of £0.866m in 2019/20 from the Education Basic Need Unallocated budget is requested, funded by Government Grant.
- 3.3 Neighbourhoods – Abraham Moss Leisure Centre. In 2017, the Council approved a new investment strategy with an indicative financial budget of £16.1m to demolish the existing library and leisure centre building, provide a temporary sports hall (school curriculum and community use) and library on site and to construct a new build library and leisure centre in the existing

location. This was prior to the site investigations and design work. In August 2018 the invasive surveys were undertaken and £3m was approved to spend to cover pre-construction design fees, surveys and temporary works costs.

- 3.4 The project is now at RIBA stage 3 and the priced returns have been received from the market. This indicates a total scheme cost, including expenditure to date, of £23.6m. This will cover the additional costs of the Stage 3 design of £5.3m including additional works required to deal with surface water drainage, ground conditions, works required for the temporary library, inflation and related costs. Construction inflation has been running between 7% and 14% since the scheme was originally devised.
- 3.5 A capital budget increase of £7.249m in 2021/22 is requested funded by borrowing, and revenue budget increase of £0.210m, funded by Capital Fund.
- 3.6 Children's Services - Acquisition of Land at Hyde Road. Purchase of land at Hyde Road, Gorton, currently in use as a cinema, to deliver affordable housing in accordance with the council's affordable housing agenda, and potential future use for a secondary school in line with the current projection of required school places. A capital budget increase of £13.144m in 2019/20 and £0.025m in future years is requested, initially funded by borrowing.

4.0 Proposals Not Requiring Specific Council Approval

- 4.1 The proposals which do not require Council approval and only require Executive approval are those which are funded by the use of external resources, the use of capital receipts, the use of reserves below £2.0m or where the proposal can be funded from existing revenue budgets and where the use of borrowing on a spend to save basis is required. The following proposals require Executive approval for changes to the City Council's capital programme:
 - 4.2 Children's Services – Ghyll Head. In a report to Children and Young People Scrutiny Committee in November 2019 the work to examine the option of progressing a new operating arrangement for Ghyll Head as part of the Council's wider leisure contract was supported, to increase use by Manchester educational facilities and to increase occupancy levels. To facilitate this it was noted that capital investment would be required to support these aims. This project will, therefore, deliver refurbishment of Manchester City Council's only outdoor education centre facility to improve the asset condition and enable the site to become financially viable. A capital budget increase of £0.025m in 2019/20 and £1.091m in 2020/21 is requested, funded by Capital Receipts.
 - 4.3 ICT – Data Centre Programme Additional Funding Request. The project is comprised of three distinct but integrated projects, Core Infrastructure Refresh, Network redesign and implementation and Data centre facility migration. The project has slipped due to a delay with implementation of the data centre network. The delays are mainly attributable to complex design sign-offs by multiple stakeholders and supplier implementation delays,

delaying network delivery by nine weeks. That, coupled with the Election change freeze has delayed the project testing sign-off and migration start dates, impacting the resource profiles needed. Migrations have now commenced and are expected to complete at the end March 2020. A capital budget virement is requested of £0.200m in 2019/20 and £0.250m in 2020/21 from the ICT Investment Plan, funded by borrowing.

5.0 Delegated budget Approvals

- 5.1 There have been increases to the programme totalling £0.416m as a result of delegated approvals since the previous report to the Executive on 19th December 2019. These are detailed at Appendix 2.

6.0 Update on Integrated Working – Gorton Hub

- 6.1 The last Executive Report for this project was in March 2017 which gave approval to develop the scheme design, establish final costs and report back. The project will deliver an integrated public service hub in the heart of Gorton District Centre, which will bring together primary care, social care and community health care services as well as services from One Manchester, Job Centre Plus, Manchester Adult Education Service (MAES) and the re-provision of Gorton Library. Office accommodation is also proposed for Manchester City Council teams currently based in leased accommodation, as well as additional office space to help meet the needs of the public estate in the future. The project budget is £19.636m.
- 6.2 The project has been designed to RIBA Stage 4 and the cost plan has been market tested. The site has been assembled and cleared, and the scheme has planning permission. The Council will fund the proposed development through Prudential Borrowing. Partners will commit to a lease of space in the building, with a rental payment that will see the cost of construction paid off over the lease term. In addition, all tenants will cover the costs of their respective utilities, business rates, and facilities management costs, and will contribute funds, based on the size of their accommodation, to the lifecycle maintenance plan for the building. Partners have confirmed their commitment to the scheme. MFT and One Manchester have Board approval, MHCC and Primary Care Manchester Board approval expected January 2020, and DWP Departmental Property Board approval also expected in January 2020.
- 6.3 This unique integration of public services will deliver outcomes including: increasing provision of community services to release acute hospital capacity; improving both capacity of, and access to, primary care; strengthening the service offer focussed on increasing employment, reducing dependency, improving community skills provision and digital inclusion. Outcomes will also include increased footfall to the heart of Gorton. The hub will improve the public realm at the heart of the district centre, acting as a visible investment in the area. The services relocating into the hub will release areas of land for onward development, further supporting the needs of Gorton. Lifecycle investment in the new asset will provide better value than continuing to invest in poorer quality existing properties, which are reaching the end of their

functional life, with significant quality and back-log maintenance issues. Office space created in the hub will be used to accommodate teams from the Council that are currently in leased accommodation, reducing the use of Council resources used on property rental. The hub provides a significant opportunity to increase the sustainability, and reduce the carbon emissions of the public estate, by replacing dated, inefficient buildings with a modern asset.

7.0 Prudential Performance Indicators

- 7.1 If the recommendations in this report are approved the General Fund capital budget will increase by £21.534m, across financial years as detailed in Appendix 1.
- 7.2 This will also result in an increase in the prudential indicator for Capital Expenditure in corresponding years. Monitoring of all prudential indicators is included within the Capital Monitoring Report.
- 7.3 There is an increase in the requirement for prudential borrowing, however, this has already been assumed within the City Council's revenue budget and therefore there is no impact on the City's Council Tax.
- 7.4 The increases to the programme totalling £0.416m as a result of delegated approvals have been included within the prudential indicators. These are detailed at Appendix 2.

8.0 Contributing to a Zero-Carbon City

- 8.1 All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

9.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

- 9.1 Contributions to various areas of the economy including investment in ICT services, housing, and leisure facilities.

(b) A highly skilled city

- 9.2 Investment provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.

(c) A progressive and equitable city

- 9.3 Improvements to services delivered to communities and enhanced ICT services.

(d) A liveable and low carbon city

9.4 Investment in cultural and leisure services and housing.

(e) A connected city

9.5 Through investment in ICT and the City's infrastructure of road networks and other travel routes.

10.0 Key Policies and Considerations

(a) Equal Opportunities

10.1 None.

(b) Risk Management

10.2 Risk management forms a key part of the governance process for all capital schemes. Risks will be managed on an ongoing and project-by-project basis, with wider programme risks also considered.

(c) Legal Considerations

10.3 None.

11.0 Conclusions

11.1 The Capital budget of the City Council will increase by £21.534m, if the recommendations in this report are approved.

11.2 The capital budget has increased by £0.416m as a result of the delegated approval detailed in Appendix 2.

12.0 Recommendations

12.1 The recommendations appear at the front of this report.

Appendix 1 - Requests for Adjustments to the Capital Budget Provision - January 2020 Executive

Dept	Scheme	Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	Future £'000	Total £'000
Council Approval Requests							
Children's Services	SEND Expansion	Government Grant	866				866
Children's Services	Basic Need Unallocated Funds	Government Grant	-866				-866
Neighbourhoods	Abraham Moss Leisure Centre	Borrowing			7,249		7,249
Children's Services	Acquisition of land at Hyde Road	Borrowing	13,144	13	12		13,169
Total Council Approval Requests			13,144	13	7,261	0	20,418
Executive Approval Requests							
Children's Services	Ghyll Head	Capital Receipts	25	1,091			1,116
ICT	Data Centre Programme Additional Funding Request	Borrowing	200	250			450
ICT	ICT Investment Plan	Borrowing	-200	-250			-450
Total Executive Approval Requests			25	1,091	0	0	1,116
Total Budget Adjustment Approvals			13,169	1,104	7,261	0	21,534

Appendix 2 - Approvals under authority delegated to the City Treasurer - January 2020 Executive

Dept	Scheme	Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	Future £'000	Total £'000
Highways Services	Exchange Square Water Feature Refurbishment	RCCO	60	-	-	-	60
Highways Services	Levenshulme Active Neighbourhood	External Contribution	-	106	-	-	106
Corporate Services	FC United	Capital Receipts	250	-	-	-	250
Total Delegated Approval Requests			310	106	0	0	416