

Manchester City Council Report for Resolution

Report to: Executive – 3 June 2020

Subject: Capital Programme Outturn 2019/20

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

- (a) The outturn of capital expenditure for 2019/20.
- (b) The financing of capital expenditure for 2019/20 including £70.8m Grants and Contributions, £19.7m Capital receipts, £34.0m Revenue funding and £131.0m Borrowing.
- (c) The major variances between the 2019/20 outturn and the previous Capital Programme monitoring report submitted in February 2020.

Recommendations

The Executive is requested to:

1. Approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in the appendix. To note this is subject to approval by a Scrutiny Chair under the provision of the Council Decisions on 25th March 2020 - "Constitutional Amendments and Other Matters for Council Business Continuity - Part 7".
 2. Note the outturn of capital expenditure 2019/20 for the Manchester City Council Programme was £203.3m. The outturn of capital expenditure 2019/20 for the Programme on behalf of Greater Manchester was £52.2m.
 3. Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2020.
 4. Approve virements under £0.5m within the capital programme as outlined in the appendix.
 5. Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2019/20.
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Wards Affected: All

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

Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth	The capital programme includes investment in highways infrastructure, and broadband expansion.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All Revenue consequences are included in the current Revenue Budget.

Financial Consequences – Capital

The Capital Outturn 2019/20 for Manchester City Council is £203.3m compared to the revised budget of £248.1m submitted to Executive in February 2020. The Capital Outturn 2019/20 for the programme on behalf of Greater Manchester is £52.2m compared to the revised budget of £70.0m.

The Greater Manchester programme consists of legacy schemes hosted by the City Council before borrowing powers were granted to the Greater Manchester Combined Authority (GMCA) which also monitors the projects. Following the granting of the relevant borrowing powers, the debt and investments have transferred across to the GMCA, and the remaining budget can therefore be removed.

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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
- Report to the Executive 26th June 2019 - Capital Programme Outturn 2018/19

- Report to the Executive 26th June 2019 - Capital Programme - Capital Programme Update
- Report to the Executive 24th July 2019 – Capital Programme – Capital Programme Update
- Report to the Executive 11th September 2019 – Capital Programme – Capital Programme Update
- Report to the Executive 16th October 2019 - Capital Programme - Capital Programme Update
- Report to the Executive 13th November 2019 – Capital Programme – Capital Programme Update
- Report to the Executive 13th November 2019 – Capital Programme Monitoring 2019/20 Period 6
- Report to the Executive 19th December 2019 – Capital Programme – Capital Programme Update
- Report to the Executive 15th January 2020 – Capital Programme – Capital Programme Update
- Report to the Executive 12th February 2020 – Capital Strategy and Budget 2020/21 to 2024/25

1. Introduction

1.1 The purpose of the report is to:

- Inform the Executive of the outturn position for 2019/20; and
- Confirm that funding sources have been managed to best utilise resources available to fund the capital programme.

1.2 A summary of each part of the programme is included within the report, providing details on the major projects. This is presented alongside a summary of the outturn position, and as a result any changes to the budget that are required.

1.3 The appendix details the virements requested across the 2019/20 programme since Executive approved the capital budget in February 2020.

2 Contributing to a Zero-Carbon City

2.1 To reflect the climate change emergency that the Council has declared, the capital expenditure business case template has been updated to include a carbon measure for both during the project progression stage and the ongoing lifecycle post completion. The intention is that the carbon footprint of a scheme is considered as part of the decision making process. This work is ongoing and will reflect the decisions taken by the Council on how it will meet the future carbon reduction targets in order to become carbon neutral by 2038.

3 Capital Budget

3.1 Executive approved the Capital Budget for the period 2019/20 to 2023/24 in February 2020. Since then, a subsequent capital budget increase report was submitted to Executive on 11 March 2020. The revised capital budget, before changes proposed at outturn, is shown below:

Capital Programme 2019-2024	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total Programme £m
Capital Budget (Feb 20)	318.0	378.4	288.9	208.2	55.3	1,248.8
Capital Programme Update (Approved March 20)	0.1	12.9	3.7	10.0	0.0	26.7
Revised Capital Budget	318.1	391.3	292.6	218.2	55.3	1,275.5
<i>Of which:</i>						
Manchester City Council Programme	248.1	391.3	292.6	218.2	55.3	1,205.5
Programme on behalf of Greater Manchester	70.0	0.0	0.0	0.0	0.0	70.0

- 3.2 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.
- 3.3 This report provides information on the outturn position for the capital programme. Ordinarily this would include a revised capital budget for future years based on the re-profiling of budgets based on the outturn position, and any other changes proposed.
- 3.4 However, the COVID-19 pandemic has created significant uncertainty across the programme and is likely to create cost pressures throughout the programme with higher prolongation costs, increases to material costs and skilled labour shortages. Therefore this report only provides information on the capital spend and funding for 2019/20, and notes the budget changes required, but does not provide a detailed breakdown of future capital spend. This will be reported to members in July, once more about the impact on the Council Programme is known.

4 Capital Outturn 2019/20

- 4.1 The final spend position for the Manchester City Council Capital Programme in 2019/20 is £203.3m compared to a revised budget of £248.1m. The variations, by service area, are shown in the table below.
- 4.2 The tables in this report now show the budget approved by the Executive in February 2019 as part of the budget process, alongside the current revised budget and the outturn. The intention is that, by including this information, there is clear transparency in how budgets have changed.

Manchester City Council Programme 2019/20 Outturn	Budget set in Feb 19 £m	Revised Budget £m	Outturn £m	Variance £m
Highways	56.3	55.5	54.6	-0.9
Neighbourhoods	25.6	8.6	7.6	-1.0
Growth and Development	127.1	90.8	81.2	-9.6
Town Hall Refurbishment	24.4	17.0	12.7	-4.3
Housing – General Fund	24.7	10.3	11.1	0.8
Housing – Housing Revenue Account	30.0	19.6	18.9	-0.7
Children’s Services	39.0	25.2	4.3	-20.9
ICT	11.3	5.7	5.5	-0.2
Corporate Services	20.7	15.4	7.4	-8.0
Manchester City Council Programme	359.1	248.1	203.3	-44.8
Programme on behalf of Greater Manchester	146.5	70.0	52.2	-17.8
TOTAL	505.6	318.1	255.5	-62.6
Reprofiling				-44.5
Cost Variations				-18.2
Net over (under) spend				0.1

- 4.3 Since the February 2019 budget report there have been additional projects added to the capital programme. Further to this, at outturn for 2018/19 financial year, period 6 and period 9 for 2019/20, the budgets were revised to reflect the expected future profile of spend. This will explain the majority of the differences between the two budgets for 2019/20 shown. The explanations for the variances reported at outturn, period 6 and period 9 can be found in previous monitoring reports.

5 Projects carried out on behalf of Greater Manchester

- 5.1 The Housing Investment Fund, has been administered by the City Council on behalf of the Greater Manchester Combined Authority (GMCA) and formed the “Programme on behalf of Greater Manchester” budget.
- 5.2 By the end of March 2020 all debt and investments relating to the Housing Investment Fund had been novated to the GMCA. This means that the City Council is no longer for administering the Fund, and it will no longer form part of the Council’s approved capital programme. On that basis, it is proposed that the outstanding budget for the Fund is removed from the approved capital budget.
- 5.3 The rest of this report will focus on the City Council’s Capital Programme.

6 Summary of Main Changes to the Revised Budget

- 6.1 The nature of the capital budget requires flexibility to manage the funding across the life of projects in a transparent manner. As such some variations within the year are to be expected as projects are developed, and budgets are re-profiled on a quarterly basis and reported to members for approval in order to reflect these changes.
- 6.2 The main changes to the programme since the report to Executive in February 2020 are as follows:
- The acquisition of land at Hyde Road is now expected to take place before the end of the calendar year, and as such the £13.1m will be moved in to 2020/21.
 - Negotiations remain regarding the supporting land acquisitions in the Northern Gateway, and £6.2m will move into future years.
 - The Council's support for the BioMedical Investment scheme is a mix of equity, loans and grant. The equity has been drawn down, and the funding requests in regard to the loans to year end 2019/20 have been lower than originally expected, but the expectation is that these will be drawn down in future years and the programme on the whole remains on track.
 - The Our Town Hall budget was reset following the Notice to Proceed (NtP) report issued to the Deputy Chief Executive and City Treasurer. Due to the impact of COVID-19, the NtP date is now under review and as a result a total of £4.3m will be reprofiled into future years.
 - £2.2m will be accelerated into 2019/20 for the Factory to cover preliminary and client side costs.

- The second of the three instalments of the Manchester Airport Car Park Investment was paid in early 2020/21 and so £1.8m will be moved into next financial year.
- The unallocated Schools Maintenance budget of £1.7m will be moved into future years to be utilised against the newly approved scheme for 2020/21.
- Disabled Facilities Grants works have progressed more quickly than anticipated and £1.5m will be accelerated into 2019/20.

6.3 Major variances by service area are explained below. The implications for the programme from 2020/21 onward will be set out in the report to the July Executive.

General Programme Risks

- 6.4 The Capital Budget is prepared on the best estimate of the spend profile for each scheme across its life. As schemes develop the profile of spend may change, depending on circumstances. The format of this report is intended to highlight the total life and cost of schemes, and the risks associated with their development.
- 6.5 All projects carry risk such as delivery risk, third party risk and market risk, including build cost inflation risk which is discussed below. 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.
- 6.6 General inflation in the North West (NW) construction market has not reduced as predicted over the 2019/20 period and the Manchester Market has become more pronounced than the national average due to the large volume of construction work that has taken place over the past 3-4 years and continued to take place prior to the lockdown. Forecasting inflation indices for the general North West region over the coming years has become vastly more difficult given the COVID-19 pandemic, and the effects of the current situation on the construction industry both nationally and in the NW are still being understood. Historical forecasts are predicted by leading cost consultancy companies and have maintained a fairly flat and low trend nationally. The current predictions are showing that nationally the inflation rate is likely to be low in 2020, then rising by around 3% to 4% per annum for the next 3 years. Building Construction Information Service (BCIS), part of the Royal Institute of Chartered Surveyors (RICS) are indicating a slightly higher increase for the UK average, although this does factor in London.
- 6.7 Current analysis by the Office for Budget Responsibility (OBR) forecasts that GDP could fall by 35% in Quarter 2 2020, and therefore the country could be in the midst of a technical recession as a result of the COVID-19 crisis, but with a bounce back in 2021 with GDP then expected to grow by under 3% per annum over the next few years.
- 6.8 Whilst in general the NW region activity will also cool off during the crisis, over the next few years the level of activity in the centre of Manchester will recover and should perform better than other regions as has been proven in recent times. The anticipation is whilst the industry will be benign for a period, the downward pressure will ease as the industry and society emerges from lockdown - but with

future prices very much dependent on the general economic recovery and a whole mix of other factors. Therefore the latter part of 2020 and into 2021 and beyond, with a list of variables which are near impossible to predict in their nature, extent and therefore impact, means the forecast of such elements as inflationary movement, construction demand, tender price changes, etc. as a result of COVID-19, remain difficult to predict with certainty.

- 6.9 As it is difficult to assess the impact on project budget requirements until work packages are tendered, the Council's capital strategy includes provision for inflation, funded from borrowing to be allocated when appropriate. The first allocation will be for the Factory Project, which is the most significant capital project where the works are currently underway. More information can be found in the Capital Programme update report elsewhere on the agenda.
- 6.10 The programme contains some budgets which are yet to be allocated to specific projects but are reserved for a particular purpose, such as Education 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. Once projects are approved through the Council's capital approval process the budgets will be allocated and the Capital Budget updated accordingly.
- 6.11 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.
- 6.12 Specific risks have been identified across the capital programme and are detailed in the relevant section below. Whilst efforts have and will be made to mitigate these risks, they cannot be removed and therefore the future forecast may change.

7 Highway Services Programme

- 7.1 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.
- 7.2 The main variances from the original budget set in February 2019 and before the proposals noted in this report are as follows:
- During 2019/20, various projects within the Highways Planned Maintenance Programme progressed more quickly than expected, resulting in budgets of £2.7m being accelerated from future years.

- As a result of the main contractor going into administration, at the end of last financial year £2.2m for the Manchester/Salford Inner Relief road (MSIRR) project was moved into the 2019/20 financial year whilst a new contractor was selected.
- For the Street Lighting PFI, the replacement units were ahead of schedule for the 2018/19 outturn which was reported in May 2019. This required £1.0m from the original 2019/20 budget set in February 2019 to be accelerated to 2018/19. The review of the remainder of the programme at that time moved £0.4m in to 2020/21. Subsequently, the programme for completion has been agreed and the forecast spend has been revised to recognise the timing for the roll out of the remaining units, this resulted in £1.6m being moved into future years.

7.3 The Highways capital programme has spent £54.6m compared to a revised budget of £55.5m, a variance of £0.9m. The programme is shown in the table below:

	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Highways							
Highways Planned Maintenance Programme	18.1	20.8	20.7	-0.1	113.3	113.0	-0.3
Manchester/Salford Inner Relief Road (MSIRR)	5.6	7.8	9.3	1.5	13.9	15.9	2.0
Street Lighting PFI	12.0	9.0	8.1	-0.9	32.7	32.7	0.0
Mancunian Way and Princess Parkway National Productivity Investment Fund (NPIF)	4.5	4.2	3.4	-0.8	8.8	8.8	0.0
Other Projects	16.1	13.7	13.1	-0.6	113.2	113.8	0.6
Reprofiling				-2.7			
Cost Variations				-0.4			
Net over (under) spend				2.2			

Activities

- 7.4 Works on the Hyde Road pinch point scheme, the Great Ancoats Street improvement project and the A6 Stockport Road pinch point scheme have now commenced on site.
- 7.5 Junctions E and F of the MSIRR Regent Road scheme have now completed and the final account is in the process of being completed.
- 7.6 The Exchange Square Water Feature has been handed back to Highways by the contractor.

- 7.7 Consultation for the Northern Gateway Cycling and Walking Scheme ended on 1st May 2020 and the service are currently reviewing responses to inform the next stage of the project.

Variances – All Years

- 7.8 There is an underspend of £0.3m on the Planned Highways Maintenance Programme following the final accounts in 2019/20 of schemes completed in 2015/16 and 2016/17, which will be re-appropriated and utilised against future highways schemes.
- 7.9 An overspend of £2.0m has been reported against the Manchester/Salford Inner Relief Road project due to various factors, including compensation events submitted from the contractor, rectifying defective works from the original contractor, delays in the programme and adverse weather conditions.
- 7.10 As per the outturn position received from Stockport MBC for the Stockport SEMMMS A6 scheme, additional spend of £0.6m was incurred in 2019/20 that will be covered by grant funding from the Department for Transport (DfT).

Variances – In Year

- 7.11 The main variances to the revised budget are:

Street Lighting PFI

- A total of £0.9m will be re-profiled into future years for the Street lighting PFI scheme. This is due to the contractor reviewing the programme in the early part of 2020 as it enters the final stages, and therefore installations slowed in the final quarter of the year. As a result of the review, there is expected to be an underspend against the programme with an estimated final 1,000 units to be installed in 2020/21. This will be quantified early in 2020/21.

Mancunian Way and Princess Parkway NPIF

- There is a requirement to move £0.8m budget into future years for the Mancunian Way scheme due to the February and March valuations being lower than anticipated by the contractor. In addition, March progress has been affected by COVID-19 and the subsequent effect on suppliers, contractors and staff.

Other Projects

- A stop notice has been issued on one of the areas within the Cycle City Phase 2 scheme whilst the appropriate location for the traffic light equipment are identified. As a result, a total of £0.2m budget will be moved into future years.
- There is a requirement to move £0.2m budget into future years for the Great Ancoats Improvement scheme due to the re-profiling of risk that will not be realised this financial year.

- Other in year variances total £0.3m.

Risks

- 7.12 The Highways programme contains a high number of large and strategically important projects for the highway network and the service is working to ensure that the works can be delivered to the timescales indicated. Works are assessed and scheduled based on potential impact to the network in an effort to minimise disruption to commuters wherever possible.
- 7.13 There are inherent risks around external factors, such as weather conditions, which can hinder the schedule of work. The availability of appropriately skilled resources has also been identified as a significant risk with recent and planned recruitment activity seeking to mitigate associated resourcing risks. Further to this, the volatility of the marketplace will require increased due diligence checks when appointing future contractors.
- 7.14 Extensive consultation with stakeholders is undertaken to ensure proper engagement and input into the schemes being delivered, as well as to manage expectations within available budgets and realistic timescales. The intention is to minimise the risk of scope creep and raise awareness of the impact of schemes on journey times. Where need is identified, additional funding opportunities through partners are also routinely explored in order to increase project scope.

8 Neighbourhoods Programme

- 8.1 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 2019/20	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m
Environment and Operations	7.4	2.6	2.7	0.1
Leisure	17.3	5.5	4.6	-0.9
Libraries	0.9	0.5	0.2	-0.3
Total Neighbourhoods	25.6	8.6	7.6	-1.0
Reprofiling				-1.0
Cost Variations				0.0
Net over (under) spend				0.0

- 8.2 At period 9, the remaining £3.8m budget for the Waste Contract loan to Biffa was moved into next financial year whilst the potential for electric vehicles was considered. This scheme has now been approved and more information can be found in paragraph 8.6.
- 8.3 In the 2018/19 Capital Programme Outturn report, the £13.0m budget for the Football Association (FA) Hubs project (shown within Leisure) was re-profiled into future years pending confirmation of grant funding. At Period 6, this was removed from the Capital Programme with an alternative scheme to be brought forward.

Environment and Operations Programme

- 8.4 The schemes within the Environment and Operations Programme are centred on improving the environment with the main focus on the control of waste disposal and promoting recycling.
- 8.5 The Environment and Operations programme has spent £2.7m compared to a budget of £2.6m, a variance of £0.1m. The programme is shown in the table below:

Environment and Operations	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Waste Reduction Measures	1.5	0.3	0.4	0.1	4.7	4.7	0.0
Waste Contract	5.9	2.1	2.1	0.0	11.5	11.5	0.0
Other Projects	0.0	0.2	0.2	0.0	0.3	0.3	0.0
Total Environment	7.4	2.6	2.7	0.1	16.5	16.5	0.0
Reprofiling				0.1			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 8.6 A scheme was approved by Executive in March 2020 to make an additional one off payment to Biffa Municipal, under the current contractual arrangements, to enable the purchase of 27 electric Refuse Collection Vehicles (RCVs). These vehicles will replace the Euro 4 emission standard diesel vehicles that were transferred to Biffa at the inception of the contract in 2015 and are currently 11 years old and at the end of their useful life.
- 8.7 The proposal will facilitate a significant reduction in carbon emissions relative to replacing the vehicles with new diesel RCVs. Replacement of 27 vehicles, represents approximately half of the waste collection fleet and the replacement of the remaining fleet will be reviewed at the next contract expiry.

Variances – In Year

- 8.8 There is a requirement to accelerate £0.1m into 2019/20 for the Waste Reduction Measures scheme, due to shorter delivery times by the contractors own suppliers.

Leisure Programme

8.9 The Leisure Programme provides leisure, sports and park facilities and services to communities across the City to promote health and wellbeing. The programme includes improvements to facilities which are used for events with the intention of also providing an economic benefit.

8.10 The Leisure programme has spent £4.6m compared to a budget of £5.5m, a variance of £0.9m. The programme is shown in the table below:

Leisure	19/20 Budget set in Feb 19 £m	19/20 Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Parks Programme	2.8	1.5	1.3	-0.2	15.0	15.0	0.0
Indoor Leisure – Abraham Moss	1.7	1.4	1.2	-0.2	22.0	22.8	0.8
Other Projects	12.8	2.7	2.2	-0.5	16.4	16.4	0.0
Total Leisure	17.3	5.5	4.6	-0.9	53.4	54.2	0.8
Reprofiling				-0.8			
Cost Variations				-0.1			
Net over (under) spend				0.0			

Activities

8.11 The Hough End Changing Rooms project to replace the football changing facilities is now complete. Similarly, the Heaton Park Bowls works have completed on site and the final account is awaited.

8.12 Enabling works for the temporary sports hall and library at the Abraham Moss Leisure Centre are complete, although works have now paused due to COVID-19. The RIBA stage 4 design has also been completed, with total project cost pressures of £0.8m identified. A full review of project cost and scope is being undertaken before the scheme progresses to the construction phase.

8.13 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). The RIBA Stage 2 health check for the MAC is programmed for June 2020. The NCC programme RIBA Stage 2 health check was undertaken at the end of March with a full report issued. This will inform a further request of funding to take the project to RIBA Stage 4.

Variances - In Year

8.14 A number of commissioning activities for the Parks Development strategy will now take place in next financial year and so a total of £0.2m will be moved in to 2020/21.

- 8.15 Further to the points noted in paragraph 8.12, for the Indoor Leisure - Abraham Moss project, £0.2m budget will be reprofiled into future years whilst the project scope and costs are reviewed.
- 8.16 There is a requirement to move £0.2m into future years for the Manchester Regional Arena track replacement, as the use of contingency in 2019/20 was lower than originally forecast. Construction of the track started in February and is expected to finish in summer.
- 8.17 Total budget of £0.2m for the Range Stadium project will be moved into future years due to the consultation with local residents taking longer than anticipated. The remaining works are expected to be completed in July.
- 8.18 Other variances within the Leisure portfolio total £0.1m.

Libraries Programme

- 8.19 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.
- 8.20 The Libraries programme has spent £0.2m against a budget of £0.5m, a variance of £0.3m. The programme is shown in the table below:

Libraries	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Open Libraries	0.5	0.2	0.2	0.0	0.5	0.5	0.0
Other Projects	0.4	0.3	0.0	-0.3	2.8	2.8	0.0
Total Libraries	0.9	0.5	0.2	-0.3	3.3	3.3	0.0
Reprofiling				-0.3			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 8.21 The GM Archives Web Portal project went out to procurement in March 2020, with the contract expected to be signed in early 2020/21.
- 8.22 The Roll out Central Library ICT project and the Newton Heath library project are both complete. Works at Chorlton library and The Avenue will continue next financial year.

Variances – In Year

- 8.23 The £0.3m budget for the Contact Theatre Loan will be moved into next financial year, due to the loan agreement taking longer than anticipated to finalise which

had an impact on the ability to process the first drawdown. The full loan has now been drawn down in April 2020.

Risks

- 8.24 External funding could provide a significant part of 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.

9 Growth and Development Programme

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

2019/20 Growth and Development Capital programme outturn	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m
Culture	55.4	30.1	32.3	2.2
Corporate Estates	34.8	18.2	16.1	-2.1
Development	37.0	42.5	32.8	-9.7
Total Growth and Development	127.1	90.8	81.2	-9.6
Reprofiling				-6.8
Cost Variations				-0.1
Net over (under) spend				-1.7

Culture Programme

- 9.2 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.
- 9.3 Following notice to proceed (NTP) being received, the Factory budget has been updated, the latest being at Period 9, for the revised cash flow from the contractor in line with the latest construction programme and revised fees. The revised budget is now £30.1m.
- 9.4 The Culture programme has spent £32.3m compared to a budget of £30.1m, a variance of £2.2m. The programme is shown in the table below:

Cultural	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
The Factory	55.3	30.1	32.3	2.2	139.6	139.6	0.0
Total Cultural	55.3	30.1	32.3	2.2	139.6	139.6	0.0
Reprofiling				2.2			
Cost Variations				0.8			
Net over (under) spend				0.0			

Activities

9.5 The main construction works on site are predominantly steelwork and civil engineering works which are continuing. The targeted early installation of statutory services including Gas/Water/power mains across the service yard and into the towers and arches is nearing completion. There are concerns about the impact of the higher inflation levels and risk adverse market in Manchester and the impact of COVID-19. Whilst works are continuing, productivity is impacted due to health and safety measures in place in terms for social distancing and there are concerns about the impact on the supply chain. As with the Town Hall Programme a full review of programme and cost is currently underway.

9.6 Further areas to update on include:

- A total of nine learners took part in the group work experience programme who are all currently studying courses through Manchester Adult Education Services and keen to gain an insight to construction in the UK.
- The TfGM traffic modelling exercise is now complete and shows negligible impact of the Water St closure under Prohibition of Driving order.
- A proposed Public realm scheme has been presented to MIF and the Project and Strategic Board to gain final sign off comments prior to submitting the planning permission. A positive consultation has been held with stakeholders, including the Marriott Hotel, over the Public Realm scheme proposal.
- The planned strengthening of the client side team has successfully been completed, with the appointment of a Technical Architect, a Project lead and a Cost consultant.

Variances – All Years

9.7 As stated above a full cost and programme review is currently underway. The capital update report will also include the allocation of the inflation allowance.

Variances – In Year

9.8 Acceleration of £2.2m into 2019/20 is required due to more works being undertaken in March than forecast, and to cover contractor preliminaries and client side costs, primarily as the Council agreed to buy the Welfare cabins and offices on site as this will reduce the overall cost against the full hire period.

Risks

- 9.9 The risk profile for the Factory focuses on ensuring the project is delivered within the revised project timescales and forecast following the points noted above. The delivery and installation of the steel required for the building construction, which is being managed on a section by section basis forms the critical programme path. The letting of the next phase of work packages is currently taking place and the inflation in the construction market remains a risk.

Corporate Estates Programme

- 9.10 The programme supports the provision of fit for purpose accommodation for corporate and community use and proactively maintaining and managing the corporate estate which includes reducing carbon emissions.
- 9.11 The main changes since the budget set in February 2019 and prior to the proposals highlighted in this report are as follows:
- Various schemes within the Asset Management Programme were re-profiled to future years following a rescheduling of works for some large scale projects including Heaton Park and Hall. The 2019/20 budget is now £10.3m.
 - A review of the Hammerstone Road scheme began in 2018/19, to assess the potential impact of the HS2 project. As a result, the 2019/20 budget was re-profiled from £7.1m to £0.2m.
 - Upon receipt of the detailed investment grade proposals for the Carbon Reduction programme, the 2019/20 budget was revised to £0.7m.
- 9.12 The Corporate Estates programme has spent £16.1m compared to a budget of £18.2m, a variance of £2.1m. The programme is shown in the table below:

Corporate Estates	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Asset Management Programme	11.8	10.3	9.3	-1.0	30.0	29.6	-0.4
Hammerstone Road Depot	7.1	0.2	0.0	-0.2	20.1	20.1	0.0
Carbon Reduction Programme	8.5	0.7	0.3	-0.4	24.5	24.5	0.0
Estates Transformation	7.4	6.3	6.1	-0.2	18.0	18.4	0.4
Other Projects	0.0	0.7	0.4	-0.4	2.7	2.7	0.0
Total Corporate Estates	34.8	18.2	16.1	-2.1	95.3	95.3	0.0
Reprofiling				-2.0			
Cost Variations				0.0			
Net over (under) spend				-0.1			

Activities

- 9.13 A large number of projects within the 2019/20 Asset Management Programme (AMP) completed on time, including the Wythenshawe Forum roof and works at Platt Hall. The 2020/21 programme of works has now been agreed.
- 9.14 A number of works contracts within the Carbon Reduction Programme have now been agreed to enable solar PV installation on multiple Council buildings including Wythenshawe Forum, the Town Hall Extension, East Manchester Leisure Centre and Hough End Leisure Centre. The remaining contracts are expected to be agreed in early 2020/21.
- 9.15 Works are continuing on site for the Alexandra House project and the project team are projecting a 10 day delay due to COVID-19. As such, anticipated completion of the scaffolding strip, glazing to the west elevation and completion of external landscaping and paving is now expected in early 2020/21.

Variances – All Years

- 9.16 Following a risk assessment of the Alexandra House and Hulme High Street Underground Car Park Refurbishment, security works were identified which would remove the requirement to have a physical guard in the car park and hence a saving against the revenue budget. A virement of £0.2m is requested from the AMP budget to estates transformation.
- 9.17 A business case for Alexander House roof works seeking to refurbish 85% of the roof in order to continue as scheduled with the larger capital scheme has recently been approved. A virement of £0.2m from the AMP budget to the estates transformation budget is requested.

Variances – In Year

- 9.18 Within the Asset Management Programme, there is a requirement to move £1.0m budget into next financial year across multiple projects. The most significant is £0.5m for the Manchester Aquatics Centre feasibility works. This is due to the tender sign off and appointment of the contractor taking longer than anticipated which impacted on the commissioning of surveys and the finalising of the pre-construction appointment.
- 9.19 Due to contracts for the Carbon Reduction Programme being issued later than originally anticipated, the schedule of works has been revised and a total of £0.4m will be reprofiled into next financial year.
- 9.20 The £0.3m grant to the Proud Trust will now be paid in 2020/21 and so the budget will be reprofiled into next financial year.

- 9.21 The refurbishment of Ross Place Resource Centre is nearing completion with the potential for some final works in 2020/21, therefore, the remaining £0.1m budget will be moved into 2020/21 until it is determined whether this will be fully utilised.
- 9.22 Other in year variances total £0.3m.

Risks

- 9.23 There is a carefully planned rolling programme of activity to assess and address end of life replacements through the Asset Management Programme with close collaboration with Capital Programmes colleagues to ensure momentum is maintained. This may lead to a change in priorities during the year.
- 9.24 The Carbon Reduction programme is retrofitting efficiency measures to existing buildings of varying ages and conditions meaning there is a possibility that unknown items such as sub-standard electrical infrastructure or asbestos could be uncovered. To mitigate this, the programme has allowed for a 15% works contingency. A detailed building by building risk log will be maintained and managed throughout the delivery phase with key risks being escalated to the Carbon Reduction Programme Board, reporting into the Estates Board.
- 9.25 Ability to secure resources and suppliers in what was 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.

Development Programme

- 9.26 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.
- 9.27 The main changes since the budget set in February 2019 and prior to those noted in this report are as follows:
- The £3.9m set aside for the acquisition of land for the joint venture within the Northern Gateway scheme, has been re-profiled into 2019/20 whilst discussions are ongoing.
 - Due to the Medieval Quarter Public Realm project being postponed to allow for the Arena Memorial works to be incorporated into the wider scheme, £1.4m budget was moved into 2020/21.
 - Due to a shift in grant drawdown timings, City Labs 2 and Digital Business Incubators saw re-profiling of £4.0m collectively into this financial year.
 - In line with the position reported to Executive, the legal agreements for the Civic Quarter Heat Network were signed and the programme of work updated meaning the budget was adjusted accordingly with the need to re-profile £3.6m into 2019/20.

9.28 The Development programme has spent £32.8m compared to a budget of £42.5m, a variance of £9.7m. The programme is shown in the table below:

Development	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Digital Asset Board (MCDA)	1.2	3.7	2.9	-0.8	27.1	27.1	0.0
Strategic Acquisitions Board	4.3	5.9	5.9	0.0	23.0	23.0	0.0
Northern Gateway	2.3	6.2	0.0	-6.2	25.0	25.0	0.0
Eastern Gateway	5.3	4.0	2.7	-1.3	68.6	67.4	-1.2
City Centre	11.0	10.1	9.4	-0.7	70.3	69.9	-0.4
Other Growth & Development	12.0	12.7	11.9	-0.8	52.6	52.6	0.0
Total Development	37.0	42.5	32.8	-9.7	266.3	264.7	-1.6
Reprofiling				-8.1			
Cost Variations				0.0			
Net over (under) spend				-1.6			

Activities

- 9.29 The final fit out works at the Tech Hub in the Bonded Warehouse are nearing completion but have paused due to COVID-19. Once complete, options for a digital launch will be considered.
- 9.30 As part of wider stakeholder consultation on the Medieval Quarter and Arena Memorial project, families of the victims were invited to meet the project team in March to discuss designs. A planning submission is expected to be made in June with works starting in the summer.
- 9.31 A business case has been approved for works in Piccadilly Gardens, with funding initially requested to take designs to RIBA Stage 3, to deliver the redevelopment, surveys, design works and planning submission and also to bring forward short term improvements to enhance the experience of the space and reduce current levels of anti-social behaviour. At a later stage a full business case will be brought forward for the delivery of the proposals once firm costs have been identified.
- 9.32 Work is ongoing to agree connection dates with users of the Civic Quarter Heat Network. All connections are expected to be complete by December 2020 except for the Town Hall which is currently programmed for May 2021 inline with their programme and will be dealt with as a post completion activity. Steel work for the Energy Centre has started to be erected with the civil engineering works completed on site.

Variances – All Years

- 9.33 There is a total underspend of £1.2m in 2019/20 on the Eastern Gateway – New Islington Marina project as funding originally identified for electrical remedial works, which will now be completed under the original contract, is therefore not required.
- 9.34 There is a total underspend of £0.4m on the City Labs 2.0 scheme, as the Growth Manager’s post is to be funded through revenue from business rates receipts over a period of 5 years.

Variances – In Year

- 9.35 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 £6.2m set aside for 2019/20 will be moved to next financial year.
- 9.36 The outstanding grant payment for the Tech hub project will be paid in early 2020/21 when the contractor will complete refurbishment work. As a result the remaining £0.2m budget will be moved into 2020/21.
- 9.37 There is a requirement to move £0.6m into next financial year for the Heron House project as the fit out of some floors remains ongoing. Further costs are also expected in relation to engine upgrades as a result of the Civic Quarter Heat Network works.
- 9.38 Other variances are as noted in paragraph 9.33-9.34.

Risks

- 9.39 It should be noted that there are a number of significant elements of the Growth and Development programme, such as the 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. The programme is continually subject to a detailed review and prioritisation exercise.

10 Our Town Hall Refurbishment

- 10.1 The Our Town Hall programme is a major scheme to update the architectural masterpiece that is the Manchester City Centre Town Hall, to protect and improve it for both Manchester and the nation, restoring and re-opening in 2024.
- 10.2 Since the budget was set in February 2019, the Our Town Hall budget has been re-profiled to reflect the re-phasing of early works and the drawdown profile being updated following the finalisation of the Management Contractor terms. Following the appointment of the MEP stage 1 contractor, a fee was agreed and contingency budgets were re-phased. The construction forecast is now based on

the revised programme and work packages have been re-profiled to reflect this. The 2019/20 budget was revised to £17.0m.

- 10.3 The Our Town Hall Refurbishment programme has spent £12.7m compared to a revised budget of £17.0m, a variance of £4.3m. The programme is shown in the table below:

Our Town Hall	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Our Town Hall Refurbishment	24.4	17.0	12.7	-4.3	305.2	305.2	0.0
Total Our Town Hall Refurbishment	24.4	17.0	12.7	-4.3	305.2	305.2	0.0
Reprofiling				-4.3			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 10.4 In February, the Notice to Proceed (NtP) report was issued to the Deputy Chief Executive and City Treasurer and the Key Decision to issue NtP was published, however, due to COVID-19 and following consultation with the Strategic Board, NtP has now been delayed until June with the Pre-Construction Services Agreement (PCSA) period extended until then. A review of the project status and potential impact of COVID-19 will be undertaken at the end of May with a full review of cost and programme.
- 10.5 Following the closure of the site by the contractor on the 26th March due to COVID-19, the site reopened on the 15th April. There is a reduced number of operatives on site and the contractor has developed a medium term plan to allow the 2 metre social distancing to be maintained which includes Canteen and Welfare Facilities.
- 10.6 Works have commenced in the Courtyard and the Albert Square site compound area has now been closed to the public. Electricity North West are installing a temporary substation on site during this period. In early 2020/21 the Courtyard drainage and concrete slab installation will commence. The removal of all non structural elements on multiple levels is due to complete with protection installed and temporary electrics will be completed on levels 7, 6 and 5.
- 10.7 The project team continue to procure work packages, currently out to the market are Internal sub -structure works and internal scaffolding.

Variances – In Year

- 10.8 The COVID-19 crisis resulted in the closure of the site for a period, and has reduced productivity and created delays to the placement of a number of Works Package Orders. Further to this, it was assumed that fees for additional work would be paid in 2019/20 for various consultants which will now be split over the construction period and therefore will be reprofiled in 2020/21. As a result, a total of £4.3m will be reprofiled into future years.

Risks

- 10.9 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.
- 10.10 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. It is likely that the budget profile will change.
- 10.11 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.

11 Housing - General Fund

- 11.1 The Private Sector Housing programme focuses on providing affordable housing including the facilities, adaptations and community focus required.
- 11.2 The major changes since the original budget set in February 2019 are as follows:
- As reported at 2018/19 outturn, £4.7m budget for the Marginal Viability Fund New Victoria scheme was accelerated into this financial year to reflect the expected receipt of grant income in 2019/20. Subsequently, this has proved not possible and the project was re-profiled accordingly.
 - At Quarter 2, the £2.4m Extra Care budget was moved into 2020/21, whilst the Council continues to review schemes to find the optimum balance between those led internally and those by Registered Providers.
 - The £2.2m budget for the Armitage Nursery and Community Facility was removed from the capital budget as there were no further plans for expenditure.
 - The £6.9m Ben Street Regeneration budget was removed as no additional funding was required in the delivery of the scheme by One Manchester.
- 11.3 The Private Sector Housing programme has spent £11.1m compared to a budget of £10.3m, variance of £0.8m. The programme is shown in the table below:

Private Sector Housing (General Fund)	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Brunswick PFI Land Assembly	1.7	1.2	1.2	0.0	9.5	9.5	0.0
Disabled Facilities Grant	7.9	6.5	8.0	1.5	53.9	53.9	0.0
Extra Care	2.4	0.0	0.0	0.0	6.0	6.0	0.0
Ben St Regeneration	0.6	0.4	0.2	-0.2	8.7	8.7	0.0
Marginal Viability Fund – New Victoria	1.8	0.5	0.0	-0.5	10.5	10.5	0.0
Other Projects	10.3	1.8	1.8	0.0	85.3	85.3	0.0
Total Private Sector Housing (General Fund)	24.7	10.3	11.1	0.8	173.9	173.9	0.0
Reprofiling				0.8			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 11.4 The Disabled Facilities Grant 2019/20 has been spent on mandatory and discretionary adaptations to people's homes. The remaining funding from prior years will be carried forward into 2020/21.
- 11.5 Works to West Gorton Park are almost at practical completion with the final account scheduled for early 2020/21.

Variances – In Year

- 11.6 The transfer of cases for adaptations funded through the Disabled Facilities Grant to the Liquid Logic System has completed quicker than originally anticipated. As a result, a total of £1.5m will be accelerated into 2019/20.
- 11.7 There is a requirement to move £0.2m in to the next financial year for the Ben Street Project in relation to potential defects that may arise following completion of the scheme.
- 11.8 A total of £0.5m will be moved into next financial year for the Marginal Viability Fund (MVF) New Victoria scheme, as there have been slight delays with the planning permission and stopping up orders. The developer is expected to submit their first invoice in early 2020.

Risks

11.9 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.

12 Housing Revenue Account (HRA)

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

12.2 As noted in previous monitoring reports, the Northwards programme has been re-profiled by £0.3m due to potential savings identified and changes in the schedule of works across some minor schemes. The commissioning process for the fire precautions works to high rise and shared public homes took longer than originally anticipated and so the £1.2m budget was re-profiled into 2020/21.

12.3 The Public Sector Housing (HRA) programme has spent £18.9m compared to a budget of £19.6m, a variance of £0.7m. The programme is shown in the table below:

Public Sector Housing (HRA)	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Northwards	27.3	18.4	18.1	-0.3	120.5	120.5	0.0
North Manchester New Builds	0.7	1.0	0.6	-0.4	13.5	10.2	-3.3
Other Projects	2.0	0.2	0.2	0.0	47.2	47.2	0.0
Total Public Sector Housing (HRA)	30.0	19.6	18.9	-0.7	181.2	177.9	-3.3
Reprofiling				-0.3			
Cost Variations				0.0			
Net over (under) spend				-0.4			

Activities

12.4 Northwards report a total of 112 major adaptations projects completed within 2019/20. Due to COVID-19, all but two projects that were on site in March 2020 were suspended. In line with Council advice, Northwards have deferred all capital expenditure for 2020/21 that is not contractually committed, unless there is good reason to continue, and it is able to be delivered.

Variances – In Year

- 12.5 As noted in paragraph 12.4, due to the majority of projects across the Northwards programme being paused, a total of £0.3m will be reprofiled into future years.
- 12.6 Other in year variances are as noted in paragraph 12.5.

Risks

- 12.7 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.
- 12.8 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.
- 12.9 Northwards have updated their risk profile to include an expected increase in fire risk assessment costs on the high rise blocks due to an increase in the scope of work following detailed surveys, an increase in contractor costs due to demands on capacity and an increase in insurance costs in relation to accountability and risk.

13 Children's Services

- 13.1 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.
- 13.2 The main changes to the budget set in February 2019 and prior to those noted in this report include:
- A total of £20.2m unallocated Basic Need funding was moved into future years whilst a review is undertaken of the number of school places required across the City in the context of both the Council's Basic Need Programme and the Government's Free School Programme.
 - Due to changes in design, a revised programme for the Northridge SEN scheme required movement of £2.6m budget into next financial year.
 - At January Executive, the acquisition of land at Hyde Road was approved, and a total of £13.2m was added to the Capital Programme.
- 13.3 The Children's Services programme has spent £4.3m compared to a budget of £25.2m, a variance of £20.9m. The programme is shown in the table below:

Children's Services	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Basic Need and SEND Programme	29.6	3.9	-1.1	-5.0	210.2	210.2	0.0
School Maintenance programme	5.3	4.5	2.8	-1.7	16.5	16.4	-0.1
Other Projects	4.1	16.8	2.6	-14.2	23.0	23.0	0.0
Total Children's Services	39.0	25.2	4.3	-20.9	249.7	249.7	-0.1
Reprofiling				-20.8			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 13.4 Approval to spend has been granted for the Special Educational Needs Programme, to expand school provision by 250 places at 3 sites across the City. All 3 schemes are currently in design and this work is continuing as the contractor is able to work remotely. The first scheme is due on site in June 2020 and completion of all schemes is expected by September 2021 in readiness for the academic year.
- 13.5 The 2019/20 School Maintenance Programme is now complete and a programme of works for 2020/21 has been approved. It is still expected that works will be undertaken in the holidays and evenings to minimise disruption to the operation of schools should pupils return for the summer term.
- 13.6 Demolition works are ongoing at the North Ridge SEN sixth form site, with the main building now demolished. Completion is expected by September 2020 to enable an intake in the next school year.
- 13.7 The Co-op Academy in North Manchester has developed a £0.5m proposal to increase capacity by 35 places per year as the first intake progresses through the curriculum.

Variations – All Years

- 13.8 The Schools Maintenance allocation for 2020/21 was released in March 2020, with Manchester due to receive £2.8m. As a result, the estimated budget within the Capital Programme will be reduced by £0.1m.

Variations – In Year

Basic Need Programme

13.9 The outturn for the Education Basic Need programme before the accounting adjustment for the scheme at Mathews Lane which is no longer going ahead is £3.3m, a variance from budget of £0.6m. The variance is as follows:

- The review of the Special Educational Needs (SEN) Expansion Programme concluded that some costs associated with the programme have been assessed as revenue in nature and therefore a total of £0.2m of Education Basic Need grant is released to be utilised in future years. Executive are asked to approve the transfer of £0.2m to revenue, to be funded from the Capital Fund.
- A total of £0.1m will be moved into next financial year for the Plymouth Grove refurbishment scheme, whilst some final access works are completed.
- Contingency related to the expansion of the Dean Trust Academy in 2019/20 was not fully utilised and so £0.1m will be moved into the future years contingency allocation.
- Other minor variances across the Basic Need Programme total £0.2m.

Schools Maintenance Programme

13.10 Within the Schools Maintenance programme, the 2019/20 unallocated budget of £1.7m will be reprofiled into future years to be utilised against future schemes that have now been approved.

Other Projects

13.11 The acquisition of land at Hyde Road is expected to take place before the end of the calendar year and so the total £13.1m budget will be reprofiled into 2020/21.

13.12 The planned completion date for the Seymour Road scheme was end of April 2020. This will now slip by the number of weeks that the site is closed due to COVID-19. As a result, the remaining £0.7m budget will be reprofiled into 2020/21.

13.13 Due to the lease agreement taking longer than anticipated for the Commercial Wharf project, the start on site was delayed 4 weeks. A total of £0.2m will be reprofiled in to 2020/21 when the scheme is expected to complete.

Risks

13.14 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.

13.15 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 are 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.

14 ICT Capital Programme

14.1 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.

14.2 The main variances from the original budget set in February 2019 and before those outlined in this report are as follows:

- A review of the ICT Capital Plan resulted in the £8.8m ICT Investment Plan unallocated budget being moved into future years.
- Kit for the Data Centre Network Design and Implementation project that was scheduled to arrive at the end of March 2019 arrived in early 2019/20, and hence £1.4m was re-profiled into this financial year at outturn.
- At Quarter 2, a decision was taken to utilise the End User budget for the Collaboration platform due to the interdependencies between the two projects, leading to re-profiling of £1.7m into next financial year.

14.3 The ICT programme has spent £5.5m against a budget of £5.7m, a variance of £0.2m. The programme is shown in the table below:

ICT	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
New Social Care System	0.5	1.7	1.7	0.0	3.7	3.7	0.0
ICT Investment Plan unallocated	8.8	0.0	0.0	0.0	23.3	23.3	0.0
Other Projects	2.0	4.0	3.8	-0.2	24.1	24.1	0.0
Total ICT	11.3	5.7	5.5	-0.2	51.1	51.1	0.0
Reprofiling				-0.2			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

14.4 Work has now commenced for the Office 365 project, although project timelines have been delayed at least two months due to the refocusing of technical staff's time to support the increased home working as a result of COVID-19. More work is now being carried out to determine when the optimal timing to progress the

migration to the new platform due to the challenges presented to do this while working remotely and the need to minimise disruption at this time.

- 14.5 The Early Years Education System (EYES) Project has completed the first round of the technical migration, therefore the remaining migration process can progress further into the next round. The project team is forecasting an overspend however the details of this are being finalised, following which a business case for the additional funds is to be submitted.

Variances – In Year

- 14.6 There is a requirement to reprofile £0.2m into future years for the Data Centre Programme due to the migration being delayed as suppliers are unable to attend site, plus there are now strict regulations in place that inhibit site visits to UKFast. As a result, capital resources will need to be extended until the migration is completed. It is expected that this may be September 2020.

Risks

- 14.7 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.
- 14.8 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 Public Services Network (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.
- 14.9 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.

15 Corporate Services Programme

- 15.1 Included in the Corporate Services programme is Gorton Health Hub which will bring together key organisations responsible for tackling worklessness and low skills. This will have a positive impact providing new opportunities for local residents and will contribute to sustainable economic growth by replacing a number of old, poorly maintained and high carbon producing buildings into a more modern, energy efficient purpose built building.
- 15.2 The main variances from the budget set in February 2019 and reported at outturn include:
- The Integrated Working – Gorton Health Hub project required reprofiling of £8.2m into future years due to discoveries in the ground and findings with

utilities on site leading to a re-design of the building and therefore a delay. An updated construction programme was produced with revised costs and timescales approved in March 2020.

- Due to the company being ahead of progress as set out in the business plan, it was anticipated that the Biomedical Investment loan drawdown would need to be accelerated, meaning £2.5m was moved in to 2019/20. As noted below, this is no longer the case.

15.3 The Corporate Services programme has spent £7.4m compared to a budget of £15.4m, a variance of £8.0m. The programme is shown in the table below:

Corporate Services	19/20 Budget set in Feb 19 £m	19/20 Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Integrated Working – Gorton Health Hub	10.2	2.0	1.7	-0.3	22.8	22.8	0.0
BioMedical Investment	5.5	8.0	2.9	-5.1	21.3	21.3	0.0
Other Projects	5.0	5.4	2.8	-2.6	167.1	166.9	-0.2
Total Corporate Services	20.7	15.4	7.4	-8.0	211.2	211.2	-0.2
Reprofiling				-8.0			
Cost Variations				-0.0			
Net over (under) spend				0.0			

Activities

- 15.4 Route to contract negotiations have concluded and a contract sum and appropriate risk allocations have been agreed for the Integrated Working - Gorton Health Hub project, although the contract has not been executed at this time due to COVID-19.
- 15.5 The first installment of the Manchester Airport Carpark investment was paid in March 2020, with the remainder due to be paid in 2020/21.

Variances - All Years

- 15.6 Band on the Wall now has an unsecured loan from Charities Aid Foundation, so are not proceeding with the Council loan funds. Should they require Council support in future, it would be for a different purpose, and a new scheme would be developed. As a result, the £0.2m budget has been removed from the capital programme.

Variances – In Year

- 15.7 The Gorton Health hub project has assumed a 3 month project delay due to COVID-19 and hence a total of £0.3m will be reprofiled into future years. The current figures assume the contract will be in place by 1st June 2020.

- 15.8 The Council's support for the BioMedical Investment scheme is a mix of equity, loans and grant. The equity has been drawn down, and the funding requests in regard to the loans to year end 2019/20 have been lower than originally expected, but the expectation is that these will be drawn down in future years and the programme as a whole remains on track.
- 15.9 Further to the points noted in paragraph 15.5, £1.8m budget for the Manchester Airport Carpark investment will be moved into future years.
- 15.10 There is a requirement to move £0.4m budget into next financial year for the Locality Plan Programme office as two hubs will now be delivered in 2020/21 due to the design and lease agreements taking longer than originally anticipated.
- 15.11 Other in year variances total £0.2m.

Risks

- 15.12 The nature and scope of the schemes within the Corporate Programme mean that project progression is highly reliant on third parties and there is therefore a risk of external factors causing delays.

16 Capital Financing 2019/20

- 16.1 The funding of the 2019/20 Capital Programme is summarised below:

	£m	%
Capital Expenditure	255.5	
Financed by:		
Government Grants	41.0	16.0%
Other External Contributions	29.8	11.7%
Capital Receipts	19.7	7.7%
Revenue Funding	15.4	6.0%
HRA Major Repairs Reserve	18.6	7.3%
Borrowing	131.0	51.3%

- 16.2 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 2019/20.
- Any unused grant, subject to conditions, has been carried forward into 2020/21 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 2019/20. Similarly, any external contributions that have not been used will be carried forward into 2020/21.

- The balance of available capital receipts carried forward from 2018/19 was £81.9m. A further £34.6m receipts were received in 2019/20 including pooled receipts. Drawdown from capital receipts was £19.7m leaving a balance for use in future years of £96.8m, of which £65.5m relate to Housing, plus any new receipts generated in 2020/21.
- Revenue contributions were used to finance expenditure of £15.4m, including works on the Asset Management Programme (AMP), 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 £131.0m has been used to fund the programme. This figure includes £36.0m borrowing used to support the Housing Investment Fund. The borrowing figure represents the amount to be funded by borrowing, and in practice is internally borrowed as no significant long term external debt was taken in 2019/20.
- The minimum revenue provision for 2019/20 was £26.3m. 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.

17 Capital Programme Re-phasing and Variations

- 17.1 Due to COVID-19, a review of the potential impact to the Capital Programme budget for future years is being undertaken. A revised budget and a detailed breakdown of future capital spend will be reported to Executive in July.

Virements in 2019/20

- 17.2 Various schemes across the programme require virements in 2019/20, as shown in the appendix.
- 17.3 The Executive is recommended to approve virements over £0.5m within the capital programme as outlined in Appendix A. To note this is subject to approval by a Scrutiny Chair under the provision of the Council Decisions on 25th March 2020 - "Constitutional Amendments and Other Matters for Council Business Continuity - Part 7".
- 17.4 The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in the appendix.

18 Social Value

- 18.1 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.

19 Changes to PWLB borrowing rates

- 19.1 On the 9th of October the Public Work Loans Board, an executive agency of the Treasury, increased the cost of borrowing available to the Council by 100 basis points. This means that the future cost of borrowing for the Council has increased, and has implications for local authority debt markets.
- 19.2 Further details on this change, and its implications, can be found in the report on capital financing which was discussed at Resources and Governance Scrutiny Committee on the 5th of November.
- 19.3 As part of the Government's March 2020 budget, a consultation on the future of the PWLB was launched, which has a revised response date of the end of July.

20 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

The capital programme contributes to various areas of the economy, including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

(b) A highly skilled city

The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.

(c) A progressive and equitable city

The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.

(d) A liveable and low carbon city

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

(e) A connected city

The capital programme includes investment in highways infrastructure, and broadband expansion.

21 Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

The capital programme is based on forecast costs and funding, and as such there are risks to achieving the programme from external factors such as shortage of labour or materials, alongside market risks such as price fluctuations and interest rate charges. The Strategic Capital Board, and associated Portfolio Boards for each part of the programme, are tasked with regular monitoring of costs, delivery, quality and affordability, to help manage and mitigate these risks.

(c) Legal Considerations

None.

Appendix – Proposed Programme Virements

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Flood Risk Management - Hidden Watercourses		15		
Flood Risk Management - Higher Blackley Flood Risk		-15		
Total Highways Programme	0	0	0	0
Asset Management Programme			-350	
Estates Transformation - Alexandra House			350	
Strategic Acquisitions Programme	-18			
Hall and Rogers	18			
Total Growth & Development Programme	0	0	0	0
Charlestown - Victoria Ave multistorey window replacement			546	
External cyclical works phase 3a	-2			
Environmental works	-3		5	
Harpurhey - Monsall various externals	2			
External cyclical works Ancoats Smithfields estate	25	50		
External cyclical works Charlestown Chain Bar low rise			-45	
External cyclical works Charlestown Chain Bar Hillingdon Drive maisonettes			-4	
External cyclical works Crumpsall Blackley Village	2			
External cyclical works Higher Blackley South	-5			
External cyclical works Newton Heath Assheton estate	6			
External cyclical works Newton Heath Troydale Estate			-89	
External cyclical works New Moston (excl corrolites)			-1	
Environmental improvements Moston corrolites	22	29		
ENW distribution network	67	27		
Dam Head - Walk up flats communal door renewal	23			
Various Estate based environmental works			6	
Delivery Costs	-557			
Ancoats - Victoria Square lift replacement	72	4		

Aldbourn Court/George Halstead Court/Duncan Edwards Court works	2			
Kitchen and Bathrooms programme	2			
Harpurhey - Monsall Multis Internal Works	265		41	
Newton Heath - Multies Internal Works			65	
Higher Blackley - Liverton Court Internal Works	119	34		
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	328	94		
Charlestown - Rushcroft/Pevensey Court Internal Works	23	74	8	
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	438			
Decent Homes mop ups phase 10 and voids	30		11	22
One off work - rewires, boilers, doors		17		
Installations of sprinkler systems - multi storey blocks	36		1	
ERDF Heat Pumps	51			
One off type work (rewires/boilers/doors)	32			
Fire Risk Assessments			5	
Northwards - Harpurhey 200 Estate Internal Works			10	
Rushcroft and Pevensey Courts Ground Source Heat Pumps		-245		
Delivery Costs	-686			
Bringing Studio Apartments back in use			1	
Improvements to Homeless Accommodation Phase 2			72	
Delivery Costs	-21			
Public Sector Northwards Adaptations	-200			
Adaptations 1	148	150	202	
Adaptations 2	-702	-770		
Various Locations - Adaptations	568	305	388	
Delivery Costs		52	50	
Northwards Housing Programme	-85	179	-1,272	-22
Total Public Sector Housing (HRA) Programme	0	0	0	0
Basic Need Programme				
Manchester Academy	-3			
St Margaret's C of E	-3			
Matthews Lane	-4,393			
Beaver Rd Primary Expansion	-48			
Lily Lane Primary	-3			
St. James Primary Academy	1			

Webster Primary Schools	-7			
Brookside Rd Moston		386		
North Hulme Adv Playground			294	
Monsall Road (Burgess)	-311	-3,717	-979	-20
Roundwood Road	139	985		
KS3/4 PRU Pioneer Street	19			
SEND Expansions - Melland & Ashgate	50			
Basic need - unallocated funds	4,559	2,346	685	20
Schools Maintenance Programme				
Moston Lane - re-roof	-9			
Abbott Primary School Fencing	-11			
All Saints Primary Rewire	-20			
Armitage Primary Windows	-1			
Bowker Vale Primary Heating	-3			
Buton Lane Primary Roof	-3			
Cheetwood Primary Heating	-1			
Crosslee Comm Heating	4			
Crowcroft Park Roof Repairs	-4			
Grange School Sports Hall	-2			
Higher Openshaw Rewire	-39			
Moston Fields Joinery	-3			
Ringway Primary Roof	-4			
Ringway Primary School	58			
St. Augustine's Primary	12			
Schools Capital Maintenance - unallocated	26			
Total Children's Services Programme	0	0	0	0
New Social Care System	-2			
End User Computing	-15			
Core Infrastructure Refresh	12			
New Rent Collection System	-1			
End User Experience	15	-244		
Microsoft 365		244		
Replacement Coroners System	2			
ICT Investment Plan	-11			
Total ICT Programme	0	0	0	0
Total Manchester City Council Capital Programme	0	0	0	0