

Manchester City Council Report for Resolution

Report to: Executive – 9 September 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 the Executive to recommend to the City Council proposals that require specific Council approval.

Recommendations

To recommend that the Executive approve, under the emergency provision of the Council Decisions on 25th March 2020 - "Constitutional Amendments and Other Matters for Council Business Continuity - Part 7", the following changes to Manchester City Council's capital programme:

1. ICT – Early Years and Education System (EYES) Additional funding. A capital budget decrease of £0.661m is requested and approval of a corresponding revenue budget increase of £0.661m funded from Capital Fund.

Under powers delegated to the Executive, to approve the following changes to the City Council's capital programme:

1. Growth and Development – Space Studios Manchester: Phase 3 Feasibility Budget. A capital budget increase of £0.650m is requested, funded by £0.325m grant and £0.325m capital receipts.
2. Growth and Development – Manchester Digital Security Innovation Hub (CyberHub). A capital budget increase of £2m is requested, funded by external contribution.
3. Private Sector Housing – Marginal Viability Fund New Victoria additional funding. A capital budget increase of £0.900m is requested, funded by Government grant.
4. Highways – Beswick Filtered Neighbourhood Delivery costs. A capital budget increase of £0.878m is requested, funded by external contribution.
5. Children's Services - Lyndene Children's Home Refurbishment. A capital budget increase of £0.875m is requested, funded by grant.

To note increases to the programme of £0.345m as a result of delegated approvals.

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 Manchester City Council's revenue budget by £0.661m.

Financial Consequences – Capital

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £4.642m 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 12th February 2020 – Capital Strategy and Budget 2019/20 to 2023/24

Report to the Executive 11th March 2020 - Capital Programme Update

Report to the Executive 3rd June 2020 – Capital Programme Update

Report to the Executive 3rd July 2020 – Capital Programme Update

Report to the Executive 29th July 2020 - Capital Programme Update and Capital Budget Monitoring 2020/21

1.0 Introduction

- 1.1 This report outlines the requests for changes to the capital budget from 2020/21.

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 the City Council which then constitute the approval of the five-year capital programme. Proposals for the capital budget were presented to the Executive on 12th February 2020.
- 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 29th July 2020.
- 2.4 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 Executive Approval under Emergency Provision

- 3.1 The proposals which require Executive approval, under the provision of the Council Decisions on 25th March 2020 - "Constitutional Amendments and Other Matters for Council Business Continuity - Part 7", 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 £0.5m. The following proposals require Executive approval, under the emergency provision, for changes to the capital programme.
- 3.2 ICT – Early Years and Education System (EYES) additional funding. As part of the Council's ICT Strategy a number of core legacy systems are having to be replaced or updated. The EYES system replaces the old One System which is out of support and doesn't integrate with other systems, and no longer meets the needs of the early years' service and brings significant functionality improvements. The implementation of EYES is being aligned with the move to Liquid Logic to ensure better case management and data reporting for children and young people to support the Children and Education Service.

- 3.3 Further revenue funding is required to ensure effective implementation for the final five months of the programme. With the impact of COVID-19 timescales have been delayed on both the EYES implementation and moving the Liquid Logic implementation fully into business as usual which has meant that the planned sharing of resources across the two projects has not been able to happen. The opportunity has also been taken during this time to take a more in depth look at how other local authorities have maximised their use of the EYES system and managed the implementation, avoiding impacting critical admissions related activities, and to learn the lessons from this. A capital budget decrease of £0.593m in 2020/21 and £0.068m in 2021/22 is requested from the ICT Investment Budget, funded from borrowing, along with a corresponding revenue budget increase for the same amounts, funded from Capital Fund.
- 3.4 To ensure no detriment to the Fund, funding will be switched in the programme at the end of the financial year to ensure that expenditure to the same value which was due to be funded from Capital Fund will be funded from 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, use of capital receipts, use of reserves below £2.0m, where the proposal can be funded from existing revenue budgets or 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 Growth and Development – Space Studios Manchester: Phase 3 Feasibility Budget. Space Studios Manchester is an award winning (RICS North West Regeneration Award 2018) purpose built facility of national significance and international recognition, providing 200,000 sq. ft. of floor space for high end TV, film & commercial production in West Gorton. Consisting of 6 Stages and ancillary facilities delivered through two phases of development delivered between 2014 and 2017, Space Studios is owned by Manchester City Council and operated by Manchester Creative Digital Assets Ltd (MCDA), a wholly owned MCC company. Space Studios has had strong occupancy since opening and has operated at circa 90% occupancy for the last 2 years prior to Covid-19, providing studio space for national and international production companies, housing internationally recognised shows such as Peaky Blinders and Alex Garland's Devs. Space Studios has supported 270 jobs and made a GVA contribution of £19.5m to the local economy.
- 4.3 Building on the current facilities success, options are currently being considered for the development of a third phase on vacant adjoining land. The brownfield site, previously the former Fujitsu Tower Building, has been cleared down to ground level for development and is in the City Council's ownership. It is envisaged this development could support up to 220 jobs and contribute £11m in GVA. Officers have submitted a bid and successfully secured Grant

Funding from Evergreen Surplus Funds. This will contribute towards developing and refining two potential options being considered, with the objective of selecting a preferred option to progress through more detailed feasibility and design, up to RIBA Stage 2. A capital budget increase of £0.195m in 2020/21 and £0.455m in 2021/22 is requested, funded by £0.325m grant and £0.325m capital receipts.

- 4.4 Growth and Development – Manchester Digital Security Innovation Hub (CyberHub). The Hub is a key initiative to support Manchester’s ambition to be a top five European digital location. The Hub will be a direct collaboration between academia, public sector, industry, start-ups, and SMEs to develop ideas and solutions with real-world application and enhance public and private cyber resilience and digital security. A capital budget increase of £2m in 2020/21 is requested, funded by external contribution.
- 4.5 Private Sector Housing – Marginal Viability Fund New Victoria additional funding. The scheme will deliver 520 homes alongside ground floor commercial use on the New Victoria site, adjacent to Victoria Station. The additional funding relates specifically to the increased financial impact on the project viability due to Covid-19. The increase is subject to a number of specific conditions that have been agreed between all parties. A capital budget increase of £0.650m in 2020/21 and £0.250m in 2021/22 is requested, funded by Government grant.
- 4.6 Highways - Beswick Filtered Neighbourhood Delivery costs. The scheme will carry out construction of an active network linked to the wider Bee Network. Improvements include new crossings, modal features and streetscape enhancements. A capital budget increase of £0.878m in 2020/21 is requested, funded by external contribution.
- 4.7 Children’s Services - Lyndene Children’s Home Refurbishment. NHS England has granted Manchester City Council a grant to be spent on the refurbishment of Lyndene Children’s Home to accommodate children and young people (CYP) with learning disability (LD) and/or autism (ASD) who require more intensive support to manage a crisis or escalation in needs. Lyndene is currently configured for able bodied children with no ASD/LD focus so requires a complete refurbishment to cater for CYP with disabilities, as well as a complete decorative refurbishment to meet autism friendly design guidance as outlined by National Autistic Society (NAS), with an aim of creating a homely, relaxing environment. Once refurbished Lyndene will provide outreach support complemented with short term breaks as part of a pathway to prevent the escalation of needs, supporting children and young people to stay with or move back to their family environments (parents, specialist residential or fostering arrangements) as well as providing close family support during this time. A capital budget increase of £0.655m in 2020/21 and £0.220m in 2021/22 is requested, funded by grant.

5.0 Delegated budget Approvals

5.1 There have been increases to the programme totalling £0.345m as a result of delegated approvals since the previous report to the Executive on 3rd July 2020. These are detailed at Appendix 2.

6.0 Prudential Performance Indicators

6.1 If the recommendations in this report are approved the General Fund capital budget will increase by £4,642m, across financial years as detailed in Appendix 1.

6.2 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 during the year.

6.3 There is no increase in the requirement for prudential borrowing, and therefore there is no impact on the City's Council Tax.

7.0 Contributing to a Zero-Carbon City

7.1 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.

8.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

8.2 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

8.3 Improvements to services delivered to communities and enhanced ICT services.

(d) A liveable and low carbon city

8.4 Investment in cultural and leisure services and housing.

(e) A connected city

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

9.0 Key Policies and Considerations

(a) Equal Opportunities

9.1 None.

(b) Risk Management

9.2 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

9.3 None.

10.0 Conclusions

10.1 The Capital budget of the City Council will increase by £4,642m, if the recommendations in this report are approved. The Revenue budget will increase by £0.661m.

11.0 Recommendations

11.1 The recommendations appear at the front of this report

Appendix 1

Requests for Adjustments to the Capital Budget Provision

Dept.	Scheme	Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future £'000	Total £'000
Council Approval Requests							
ICT	ICT Investment Budget	Borrowing	-593	-68			-661
Total Council Approval Requests			-593	-68	0	0	-661
Executive Approval Requests							
Growth and Development	Space Studios Manchester: Phase 3 Feasibility Budget	Grant	95	230			325
Growth and Development	Space Studios Manchester: Phase 3 Feasibility Budget	Capital Receipts	100	225			325
Growth and Development	Manchester Digital Security Innovation Hub (Cyberhub)	External Contribution	2,000				2,000
Private Sector Housing	Marginal Viability Fund – New Victoria Additional Funding	Government Grant	650	250			900
Highways	Beswick Filtered Neighbourhood - Delivery Costs	External Contribution	878				878
Children's Services	Lyndene Children's Home Refurbishment	Grant	655	220			875
Total Executive Approval Requests			4,378	925	0	0	5,303
Total Budget Adjustment Approvals			3,785	857	0	0	4,642

Appendix 2

Approvals under authority delegated to the City Treasurer

Dept.	Scheme	Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future £'000	Total £'000
Private Sector Housing	Brunswick PFI – Turkish Centre Additional Costs	Capital Receipts	219				219
Highways Services	Residents Parking Zones (RPZ) Hathersage and North Manchester General Hospital	External Contribution	51				51
Growth and Development	The Factory – Allied London Contribution (Cabin relocation)	External Contribution	75				75
Total Delegated Approval Requests			345	0	0	0	345