

Manchester City Council Report for Resolution

Report to: Executive – 14 November 2018

Subject: Capital Programme Update

Report of: Chief Executive and the City Treasurer

Summary

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

Recommendations

To recommend that the Council approve the following changes to Manchester City Council's capital programme:

1. Neighbourhoods – Smart Litter Bins. A capital budget increase of £0.258m in 2018/19, funded by borrowing of £0.208m and reserves of £0.050m.
2. ICT – Data Centre Network Design and Implementation. A capital allocation and transfer of £3.108m, £2.964m in 2018/19 and £0.144m in 2019/20 to be met from the ICT Investment Plan budget, funded by borrowing.
3. Public Sector Housing – Northwards Replacement of Prepayment meters in High Rise Blocks. A capital allocation and transfer of £0.752m, £0.058m in 2018/19 and £0.694m in 2019/20 to be met from the Northwards unallocated budget, funded by capital receipts.

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

1. ICT – Legal Case Management System. A virement from the capital budget to revenue of £0.320m in 2018/19, funded via Capital Fund.
 2. Strategic Development – One Central Park. A capital budget increase of £1.791m in 2018/19 to be funded from borrowing on a spend to save basis.
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Wards Affected

Various

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	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 in ICT services.
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 public buildings
A connected city: world class infrastructure and connectivity to drive growth	Investment in the enhanced provision of ICT services.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The recommendations in this report, if approved, will increase the revenue budget by £0.320m, funded from a corresponding decrease in the capital budget.

Financial Consequences – Capital

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £1.729m, 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 7th February 2018 – Capital Strategy and Budget 2018/19 - 2022/23)
- Report to the Executive 7th March 2018 – Capital Programme – Proposed Increases
- Report to the Executive 21st March 2018 – Capital Programme – Proposed Increases
- Report to the Executive 30th May 2018 – Capital Programme Monitoring 2017/18 Outturn
- Report to the Executive 30th May 2018 – Capital Programme – Proposed Increases
- Report to the Executive 27th June 2018 – Capital Programme Update
- Report to the Executive 11th July 2018 – Capital Programme Update
- Report to the Executive 25th July 2018 – Capital Programme Monitoring
- Report to the Executive 25th July 2018 – Capital Programme Update
- Report to the Executive 12th September 2018 – Capital Programme Update
- Report to the Executive 17th October 2018 – Capital Programme Monitoring
- Report to the Executive 17th October 2018 – Capital Programme Update

1 Introduction

- 1.1 This report outlines the requests for increases and decreases to the five-year capital budget 2018/19 to 2022/23.

2 Background

- 2.1 In February each year, the Executive receives a report on the capital budget for the forthcoming five financial years and approves a series of recommendations to make to the City Council. The City Council's resolutions on these recommendations constitute the approval of the five year capital programme for the City Council. Proposals for the 2018/19 to 2022/23 capital budget were presented to the Executive on 7th February 2018, including a revised 2017/18 budget.
- 2.2 The following requests for a change to the programme has been received since the previous report to the Executive on 17 October 2018.
- 2.3 Please note that where requests are made in the report to switch funding from capital to revenue and to fund the revenue spend from the Capital Fund, this is a funding switch from within the capital programme and will not have a negative impact on the Fund itself.
- 2.4 For the changes requested below, the profile of the increase, decrease or virement is shown in appendix 1 for each of the projects.

3 City Council's Proposals Requiring Specific Council Approval

- 3.1 The proposals which require Council approval are those which are funded by the use of reserves above a cumulative total of £2.0m or where the use of borrowing is required. The following proposals require Council approval for changes to the capital programme
- 3.2 Neighbourhoods – Smart Litter Bins. This proposal is to fund 51 smart litter bins to be placed in key locations in the city centre, where litter bins are heavily used and the greatest operational efficiencies can be derived from the reduction in the number of waste collections. Smart litter bins can hold up to 8 times more litter than a conventional bin due to the solar powered compression technology contained inside the unit. The smart litter bin solution will promote environmental sustainability by reducing the Council's carbon footprint and CO2 emissions, with fewer refuse vehicle visits, reduced fuel consumption, and air pollution. It will also result in less littered public spaces for an overall cleaner, more sustainable environment thanks to increased bin capacity and smart collection routines. A capital increase of £0.258m in 2018/19 is requested, funded by borrowing of £0.208m and reserves of £0.050m.
- 3.3 ICT – Data Centre Network Design. The investment is required to fund the detailed network design and the purchase and installation of the essential infrastructure items including: hardware, firewalls, N3 connectivity and WAN

connectivity. This is a key element of the ICT Investment Strategy which will allow the implementation of data centre core network, connectivity, and core services and will also mitigate corporate risk by supporting the Council's disaster recovery ability within the data centre. This is the third phase of the Data Centre Programme following on from the Core Infrastructure Refresh project and the Co-location Facility and Migration project. A capital budget allocation and transfer of £3.108m, £2.964m in 2018/19 and £0.144m in 2019/20, from the ICT Investment Plan budget is requested, funded by borrowing.

- 3.4 Public Sector Housing – Northwards Replacement of Prepayment Meters in High Rise Blocks. An upgrade of obsolete heat and prepayment meters where tenants are supplied heat and hot water through communal heating systems in high rise blocks. The existing systems are inefficient and obsolete and are therefore becoming difficult and expensive to repair. This will also provide tenants with a range of payment methods. In terms of social value, the current suite of key performance indicators for the project include community benefit, equality and diversity and environmental targets, for example, contractors are required to provide trainee and work experience placements. A capital budget allocation and transfer of £0.752m, £0.058m in 2018/19 and £0.694m in 2019/20, from the Northwards unallocated budget is requested, funded by capital receipts.

4 Proposals Not Requiring Specific Council Approval

- 4.1 The proposals which do not require Council approval and only require Executive approval are those which are funded by the use of external resources, the use of capital receipts, the use of reserves below £2.0m or where the proposal can be funded from existing revenue budgets and where the use of borrowing on a spend to save basis is required. The following proposals require Executive approval for changes to the City Council's capital programme:
- 4.2 ICT – Legal Case Management System. The current case management solution used by legal services will come to its end of life in 2020 and does not lend itself to modern working practices. To ensure that Legal Services has a fit for purpose, cost effective solution that will drive and deliver efficiencies to improve service performance, a new Legal Services Case Management System is required. A capital budget decrease of £0.320m is requested and approval of a corresponding transfer of £0.320m to the revenue budget, funded by capital fund.
- 4.3 Strategic Development – One Central Park. Further funding is required for the project due to additional instructions required to the construction contract. These include improvements to the external façade of the building, works to allow for greater sub division of office space which will improve our ability to let the building and the separate funding of tenant fit out costs which will increase rental income. The additional funding for the fit out costs will only be utilised where a tenant is legally committed to occupy, ensuring there is additional income to fund the invest to save borrowing. The tenant fit out funding is

considered to be beneficial to the scheme following discussions with prospective tenants and independent market advice. A capital budget increase of £1.791m is requested, funded by borrowing on a spend to save basis.

5 Prudential Performance Indicators

- 5.1 If the recommendations in this report are approved the General Fund capital budget will increase by £1.729m, across financial years as detailed in Appendix 1.
- 5.2 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 Global Revenue Monitoring report.
- 5.3 There is an increase in the requirement for prudential borrowing, however, this has already been assumed within the City Council's revenue budget and therefore there is no impact on the City's Council Tax.

6 Conclusions

- 6.1 The capital budget of the City Council will increase by £1.729m, if the recommendations in this report are approved.
- 6.2 The revenue budget of the City Council will increase by £0.320m, via the capital fund, if the recommendations in this report are approved.

7 Conclusions

- 7.1 The recommendations appear at the front of this report.