

## **Manchester City Council Report for Resolution**

**Report to:** Executive – 12 December 2018

**Subject:** Capital Programme Update

**Report of:** Chief Executive and City Treasurer

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### **Summary**

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

### **Recommendations**

1. To recommend that the Council approve the following changes to Manchester City Council's capital programme:
    - Highways – Residents Parking Schemes. A capital budget increase of £0.553m is requested, funded by £0.396m of applicable Section 106 funding and £0.157m from the Parking Reserve.
    - Highways – Automatic Bollards. A capital budget increase of £0.468m is requested, funded from the Parking Reserve, to replace the existing £0.200m borrowing approval.
    - Highways – Hostile Vehicle Mitigation Measures. A capital budget increase of £0.264m is requested, funded from the Parking Reserve.
  2. In relation to the acquisition of settled accommodation for homeless families, to note the changes as set out in section 4 of this report, to approve the revised proposal and, in a variation to decision (3) recorded in minute Exe/18/045, to now delegate authority to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and sign off the investment model on behalf of the City Council.
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**Wards Affected:** Various

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
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 will not change the net revenue budget.

### **Financial Consequences – Capital**

The recommendations in this report, if approved, will increase Manchester City Council's capital budget by £1.085m, 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 7<sup>th</sup> February 2018 – Capital Strategy and Budget 2018/19 - 2022/23)

Report to the Executive 7<sup>th</sup> March 2018 – Capital Programme – Proposed Increases

Report to the Executive 21<sup>st</sup> March 2018 – Capital Programme – Proposed Increases

Report to the Executive 30<sup>th</sup> May 2018 – Capital Programme Monitoring 2017/18  
Outturn

Report to the Executive 30<sup>th</sup> May 2018 – Capital Programme – Proposed Increases

Report to the Executive 27<sup>th</sup> June 2018 – Capital Programme Update

Report to the Executive 11<sup>th</sup> July 2018 – Capital Programme Update

Report to the Executive 25<sup>th</sup> July 2018 – Capital Programme Monitoring

Report to the Executive 25<sup>th</sup> July 2018 – Capital Programme Update

Report to the Executive 12<sup>th</sup> September 2018 – Capital Programme Update

Report to the Executive 17<sup>th</sup> October 2018 – Capital Programme Monitoring

Report to the Executive 17<sup>th</sup> October 2018 – Capital Programme Update

Report to the Executive 14<sup>th</sup> November 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 7 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 14 November 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 Highways – Residents Parking Schemes. It is proposed to consult on the implementation of residents parking schemes for Rusholme district centre, St George's, North Manchester Hospital and Hathersage Road. These schemes have been identified as the areas which show signs of parking saturation, and the Council has received developer contributions which can be used to fund the schemes. The funding for the North Manchester Hospital scheme is already in the budget, for the remaining schemes a capital budget increase of £0.553m is requested, funded by £0.396m of applicable Section 106 funding and a £0.157m revenue contribution to capital outlay, which will come from the Parking Reserve.
- 3.3 Highways – Automatic Bollards. The majority of the existing automatic bollards are reaching the end of their life, and it is proposed to replace them and install additional bollards at key locations around the City Centre. The sites have been reviewed with advice from Greater Manchester Police. It is proposed that this will be funded from the existing public realm budget, and a £0.468m revenue contribution to capital outlay, which will come from the Parking

Reserve. This will replace the existing £0.200m budget allocation already included within the Highways capital budget, which was funded by borrowing.

- 3.4 Highways – Hostile Vehicle Mitigation Measures. Following discussions with the Counter Terrorism Security Advisor attached to Greater Manchester Police, locations within the City Centre have been identified for the installation of mitigation measures, such as bollards and street furniture. The aim of these works would be to protect areas of high footfall from the risk of a vehicle being used as a weapon against pedestrians. The works are to be funded from a £0.264m revenue contribution to capital outlay, which will come from the Parking Reserve.

#### **4 Settled Accommodation for Homeless Families**

- 4.1 In March Executive agreed to provide £5m of equity funding to a group of Registered Providers (RPs) to support the purchase of around 60 homes for homeless families (Minute Exe/18/045). Initially based on the Council securing a first charge on the homes, in July Executive agreed that the Council would hold a second charge on the properties in the circumstance where the RP applied a charge on the property to secure funding.

- 4.2 Further negotiations have taken place to finalise the terms of the agreement to be entered into between the Council and the RPs. During these discussions it became evident that the Council's requirement for a second charge on the properties, restricting the available equity in a property, would restrict the RPs' ability to raise finance and result in fewer properties being acquired for the project. Therefore, the Council is proposing to forego its requirement of a second legal charge in respect of each property and to deal with the Council's 35% investment in the properties under the terms of an appropriate Agreement/Agreements ("**Agreement**") under which an RP will be contractually bound to pay the Council 35% of the sale proceeds of a property / properties and the Council will have rights under the terms of the Agreement in the event of breach. The Agreement will also contain a contractual obligation that no property can be sold without the Council's consent.

- 4.3 However, the terms of the Agreement will not bind any funder of an RP, and on a disposal of a property by an RP funder the Council's 35% investment would be at risk.

- 4.4 To help mitigate some of the risks, which are considered low, there are a number of proposals as follows:

(a) It is proposed that the parties to the Agreement (the Council and the RPs) will be obliged to attend regular meetings and in the event, either from these meetings or generally, it is clear that an RP may be in financial difficulty the relevant RP will be required to offer its property/properties to the other consortium RP's. If they refuse the offer, then they will be offered to the Council. In either case the value for the transfer will be 65% of the market value of the property/ properties. If the Council does not wish to purchase the property/properties then the RP will sell them on the open market and the

Council will recover its 35% share. (Where a property / properties has been charged to an RP Lender, any transfer could only take place where an RP Lender agrees to release its charge on the property/properties and the Lender may require the full 100% of the sale proceeds in order to release its charge. It is difficult to contemplate that the Lender would accept less than 100% or agree to release the charge where the RP is in financial difficulty. Where this is the case it would put the Council's 35% investment in respect of the relevant RP at risk).

(b) it is proposed that the number of properties purchased by any individual RP is limited to c15 properties.

- 4.5 It is also proposed that the rights under the Agreement will be protected on the titles of the properties but again this will not bind any RP lender.
- 4.6 The Executive is asked to note the changes, to approve the revised proposal and, in a variation to decision (3) recorded in minute Exe/18/045, to now delegate authority to the City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and sign off the investment model on behalf of the City Council..

## **5 Prudential Performance Indicators**

- 5.1 If the recommendations in this report are approved the General Fund capital budget will increase by £1.085m, 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.

## **6 Conclusions**

- 6.1 The capital budget of the City Council will increase by £1.085m, if the recommendations in this report are approved.
- 6.2 The net revenue budget of the City Council will be unchanged if the recommendations in this report are approved.

## **7 Recommendations**

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